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Weekend February 3/February 4 1990

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WORLD NEWS

US Secretary plans historic Soviet move

US Secretary of State James Baker, who is to visit Moscow next week, will make history by appearing in front of a committee of the Supreme Soviet. He will make a statement to the international affairs committee and answer members' questions.

"This is unprecedented", said a State Department official, adding that Mr Baker would answer any questions put to him.

W German train crash
At least 13 people were killed and 34 badly injured when two crowded rush-hour commuter trains collided near Frankfurt in West Germany. One train was derailed and rescuers were not sure how many people were trapped.

Crisis team for Kosovo
Yugoslavia has set up a top-level team to handle the crisis in Kosovo, the southern province where 29 people have died in rioting. Page 3

Ceausescu aides jailed
Four senior aides to Nicolae Ceausescu, Romania's executed former leader, were jailed for life by a military tribunal in Bucharest. The four were also stripped of their civil rights and personal wealth.

Zhivkov in hospital
Todor Zhivkov, Bulgaria's deposed Communist leader, was reported to be in hospital under intensive care. He is due to stand trial for misrule and corruption. New leader faces image problem, Page 3

UK policy attacked
Peugot president Jacques Calvet has attacked Britain's policy of attracting Japanese car makers to the UK. The French car company chief branded the policy an attempt to export unemployment to the rest of the European Community and said it would fail. Page 24
EC warns Tokyo on investment policy, Page 5

Kashmiri violence
Fighting between police and Kashmiri protesters left 12 people injured after the separatist demonstrators had tried to march on the Indian consulate in Karachi. Fresh violence, Page 5

Mother freed from jail
The Appeal Court ordered the release from jail of Wendy Bull, 24, a pregnant mother of three from West Yorkshire who was jailed by Judge James Pickles for shoplifting.

20 years for IRA man
Stephen Thomas Conlon, aged 21, of Co Tyrone, Northern Ireland, was sentenced to 20 years' imprisonment for killing a 67-year-old man and his granddaughter aged 13. The two died last year when their car passed an RUC station just as a bomb went off.

AIDS forecast lowered
UK experts have lowered their forecasts of the numbers of people expected to contract AIDS and die of the disease in in the next few years. Page 7

Pointers to poisoning
Scientists writing to The Lancet, a British medical journal, say they strongly suspect that Kurds who fled from Iraq to Turkey were deliberately poisoned in their refugee camp. Kurdish rebels blamed the poisoning on Iraqi agents, while Turkey ascribed it to a lack of hygiene.

Ballet chief quits
Richard Jarman resigned as general administrator of the crisis-ridden English National Ballet. Three days before, he sacked the company's artistic director, Peter Schaufuss.

Tuppenny ha'penny
The cost of making 1p and 2p coins exceeds their face value, the Royal Mint says. The Treasury is considering cheaper versions made of copper-plated steel instead of bronze. Page 24

BUSINESS SUMMARY

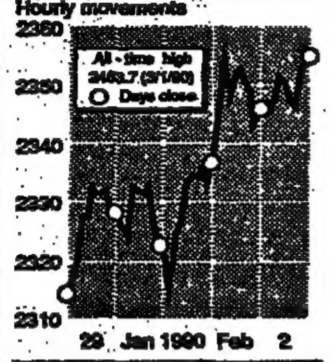
Toy shop chain calls in receivers

Celebrity Group, owner of the Zodiac Toys chain, has called in administrative receivers, who hope to sell it as a going concern.

The company, which employs 600 people and runs 95 outlets, has a debt level of about £5m and is the latest in a string of receiverships at companies exposed to the downturn in consumer spending and high interest rates on heavy debt burdens. Page 24

LONDON EQUITIES rounded off an erratic week with another uncertain but finally successful session, as favourable trends in other markets inspired a final flurry in UK stocks. The final reading showed the FT-SE Index at 2,355.1, a net rise of 9.3 on the day. Page 15

FT-SE 100 Index
Hourly movements



GERMAN share prices reached an all-time high after frenzied foreign buying, stoked by signs that German unification is getting closer to reality. The DAX index rose 52.59 to 1,910.67, a gain on the week of 6.5 per cent. Page 21

US President George Bush has decided to use his strengthened powers on foreign takeovers for the first time and order a Chinese Government corporation to sell the US aircraft parts manufacturer it bought two months ago. Earlier story, Page 4

IRAQ will invite foreign oil companies to participate in financing the development of new oilfields. Page 24

JAPAN'S current account surplus fell to $56.97bn (£35bn) from $79.63bn in 1988, with imports rising 16.8 per cent and exports increasing by 3.8 per cent. Page 5

BRITISH Airways will create 450 jobs in Scotland as part of an £18m expansion plan. Page 6

BANK IG of Poland is being helped towards privatisation by UK corporate financier First Europe Equity and Bond.

ALAN BOND, troubled Australian businessman, suffered a fresh setback when subsidiary Bell Resources filed a clutch of petitions to wind up the flagship, Bond Corporation, another subsidiary, Bond Media, and two private family companies. Page 12

KOOR Industries, trade union-owned Israeli group, is still waiting for a compromise between feuding foreign and home creditors over write-off terms for their $1bn debts (£594.7m). Page 12

MTM, UK specialist chemicals manufacturer, unveiled a hostile bid worth more than £12m in shares or cash for fellow chemicals group Chemoxy International. Page 10

KLEEN-E-ZE HOLDINGS, UK housewares distribution and direct marketing company, announced a pre-tax loss of £2.88m. Page 10

STEEL production in the industrialised world is expected to decline this year for the first time since 1985, according to the OECD. Page 4

FRANCE'S foreign trade deficit last year totalled FFr43.7bn (£4.53bn), a third higher than in 1988. Page 3

SALMON: The EC will probe Scottish and Irish complaints that Norway is selling unfairly low-priced salmon in the European market. Page 3

■ Obstacles to apartheid talks removed ■ Unconditional release of Mandela soon

De Klerk lifts ban on ANC

By Patti Waldmeir in Cape Town

MR F.W de Klerk, the South African President, yesterday lifted a 30-year ban on the African National Congress and removed most other obstacles to talks on a post-apartheid constitution in a historic speech which gained wide international acclaim.

World leaders yesterday applauded what they called a bold and courageous speech, praise which was echoed even among the ranks of black activists in South Africa.

Mr de Klerk, speaking at the opening of the South African parliament, failed to announce a date for the release of Mr Nelson Mandela, the jailed ANC leader.

However, he delivered an unequivocal commitment to free Mr Mandela without significant delay, saying the Government had "taken a firm decision to release Mr Mandela unconditionally." The ANC leader is expected to be freed within weeks.

Further measures announced by Mr de Klerk will allow fully legalised and active opposition to apartheid for the first time in 40 years of National Party rule.

The measures included:

- Legalisation of the two main liberation movements – the ANC and the much smaller Pan Africanist Congress – as well as the South African Communist Party, closely allied to the ANC;
- Release of political prisoners who have not committed violent crimes;
- Removal of restrictions and bans on all political groups and activists;
- Suspension of executions.

Removing the obstacles: F. W de Klerk outlines his plans to the South African Parliament

Reform in South Africa ....Page 2
Editorial comment ....Page 8
De Klerk's leap into the unknown ....Page 8

The moves appear to have cleared the way for an early start to talks between Pretoria and the ANC about a new constitution.

Mr Thabo Mbeki, the shadow ANC foreign minister and one of the organisation's most influential thinkers, immediately raised the prospect of talks: "If Mr de Klerk says the time for talking has come, we may be saying the same thing ourselves."

Ministers said yesterday that the agenda for talks was open. Asked by journalists whether there was any issue which the Government considered non-negotiable, Mr Stoffel van der Merwe, a member of Pretoria's negotiating team, replied "democracy."

Mr de Klerk outlined the Government's aims in the talks as follows: "a new, democratic constitution; universal franchise; no domination; equality before an independent judiciary; protection of minorities as well as of individual rights; freedom of religion; a sound economy . . . based on private enterprise; better education, health services, housing and social conditions for all."

Details of the programme – such as whether voters would be included on a common national roll – were to be negotiated, ministers said.

In spite of yesterday's moves, the gap between Pretoria and the ANC remains vast, with the ANC committed to constitutional system which would lead to black majority rule, and the Government insisting that white minority rights be protected, perhaps through a federal constitution.

Mr George Bush, the US President, spoke for many Western leaders when he applauded the landmark decisions announced yesterday, though he stressed that further action would be required from Pretoria before economic sanctions could be lifted.

Mrs Margaret Thatcher, Britain's Prime Minister, wrote to Mr de Klerk to congratulate him for his courage.

The ANC stressed its concern that some political prisoners (those sentenced for murder, terrorism and arson) would not be freed; the three-year state of emergency had not been lifted in its entirety; and that detention without trial could continue.

The address also did nothing to remove such remaining pillars of apartheid as residential and schools segregation, racial classification, and land reservation. But ministers yesterday repeated the Government's commitment to negotiating the abolition of apartheid laws.

Some of the measures announced reflect formalisation of a situation which has existed for some time.

Censorship restrictions, lifted yesterday, have been only selectively enforced – and are to continue for the visual media. The ANC and restricted organisations such as the United Democratic Front, legalised yesterday in law, have been operating openly for a number of months.

Mr de Klerk concluded his speech with an appeal to the international community "to re-evaluate its position and to adopt a positive attitude towards the dynamic evolution which is taking place in South Africa."

Thatcher and Bush lead chorus of approval

By Our Foreign Staff

THE US President and the British Prime Minister led an international chorus of approval of President F. W. de Klerk's speech yesterday, raising the prospect of a review of sanctions.

President George Bush welcomed the South African Government's decision to legalise the African National Congress, indicating that it could lead to an administration effort to roll back economic sanctions against Pretoria.

Mr Bush cautioned, however, that any move to lift sanctions would depend on Mr de Klerk making good his promise to free Mr Nelson Mandela, the imprisoned black ANC leader.

Mrs Margaret Thatcher, hailing the commitment to release Mr Mandela, invited Mr de Klerk to visit her. She said she also wanted Mr Mandela to come as soon as he is free. A similar invitation to both men has also been extended by Mr Bush. In a statement from Downing Street, she said that Mr de Klerk's pledge to release Mr Mandela was a "historic landmark on the road to a new South Africa."

There were signs that the UK, which has held out against increased sanctions, would take the lead internationally both within the Commonwealth and the European Community, to review existing sanctions.

Mrs Thatcher said: "I shall be in touch with some of my fellow heads of government to see what we can do to release some of the minor sanctions."

"When people are going your way in a bold and courageous style we should give encouragement to make them go further and faster," she said but added that it was "a little bit soon" to talk of a visit to South Africa.

Mrs Thatcher said Britain would "not discourage artists, scientists and academics from going to South Africa."

The possibility of lifting some sanctions is likely to be raised by Mr Douglas Hurd, the British Foreign Secretary, at forthcoming meetings of EC foreign ministers. He said he hoped to visit South Africa "before too long," perhaps when Namibia declared its independence on March 21.

Mr Gerald Kaufman, shadow Foreign Secretary, said the changes were "welcome as far as they go" but pressure on South Africa should be maintained.

Chances of rolling back US sanctions this year are slim, partly because President Bush would risk a damaging fight with a Democratic majority in Congress.

The European Commission welcomed yesterday's developments but there were no moves to review EC sanctions against Pretoria. The measures ban new investment in South Africa and imports of iron and steel and gold coins.

The Commission called for the full abolition of South Africa's state of emergency and said Mr Mandela should be freed without delay.

South African equity and bond prices surged on the sweeping changes. The Johannesburg Stock Exchange overall share index rose to a record 3,279, from Thursday's 3,194 while the JSE all-gold index surged to a preliminary close of 2,252 from Thursday's 2,180 finish.

Mr de Klerk's speech pushed up gold prices. On the London bullion market the metal rose to $419 an ounce before falling to close at $417¼.

Commodities, Page 12; Lex, Page 24; World Stock Markets, Page 21

Weekend FT

A CLOSE ENCOUNTER
Before Gorbachev there was Steven Spielberg. Nigel Andrews meets the king of the movie-brats – the man who is the most successful film-maker in history
Page I

Finance
Sara Webb on the private detectives of the small investors' underworld
Page VI

Travel
In colour: a two-page focus on holidays in Malaysia Plus: a guide to Hollywood
Pages XII-XIV

Diversions
Christian Tyler meets the Russian dissident Natan Sharansky
Page VIII

Books
Anthony Curtis on Cleopatra
Page XIX

Sport
Keith Wheatley reports from New Zealand on the financial problems behind the Commonwealth Games Plus: the Round the World yacht race
Page XXII

Hoffmann-La Roche to acquire Genentech

By Alan Friedman in New York and Peter Marsh in London

HOFFMANN-La Roche, the Swiss drugs company, is to pay $2.1bn (£1.24bn) to acquire 60 per cent of Genentech, the leading US biotechnology group.

The move represents the most significant takeover yet of a US drugs group by a European company. The California-based Genentech, founded in 1976, is one of the world's most highly regarded businesses in biotechnology – a range of techniques for making new drugs and other chemicals using novel biological methods.

Roche, the world's 14th biggest pharmaceutical business, carries out extensive research in biotechnology and has wanted to build up its presence in the US for some time. In early 1988 it offered to pay $4.7bn for Sterling Drug, a US pharmaceuticals company later bought by Eastman Kodak.

The Swiss group will be able to boost its holding in Genentech to 100 per cent over the next five years. It is paying a total of $1.5bn or $36 per share – a premium of 65 per cent over Genentech's closing share price on Thursday – for half of Genentech's stock.

Roche, which had 1989 sales of SFr10.5bn (£1.08bn), will inject a further $492m of capital for an additional 10 per cent of Genentech stock, following the issue of new shares by the US company. An additional $100m will be paid over for related stock options and warrants, bringing Roche's total investment to $2.1bn.

One result of the deal is that Mr Robert Swanson, the 42-year-old founder of Genentech, will relinquish his duties as chief executive to become chairman. Mr Swanson, who has been criticised for an obsessive involvement in details, will be replaced by Mr G. Kirk Rabb, the chief operating officer, with whom he has had frequent conflicts.

The takeover by Roche, which already has its own sub-

Continued on Page 24
Lex, Page 24

Electricians to strike at Ford plants

By John Gapper, Labour Editor

PRODUCTION at Ford Motor Company's 21 British plants is likely to be progressively disrupted next week as 1,600 electricians stage an indefinite strike over the two-year pay deal agreed upon by union leaders 10 days ago.

The strike, called yesterday by leaders of the EETPU electricians' union, is the most serious of a string of protests from craft workers about the two-year deal, which gives all workers a 10.2 per cent rise in the first year.

The electricians, who in a ballot last month voted by 668 to 375 to back a strike, are unhappy about the introduction of new work teams and the conditions placed on craft workers gaining allowances on top of the basic pay rise.

The strike, recommended at a meeting of 50 shop stewards

Continued on Page 24
Decision expected on BAe compensation for Rover, Page 3; Peugeot warning, Page 24

MARKETS

STERLING
New York lunchtime:
$1.6825
London:
$1.6815 (1.6825)
DM2.8350 (2.8275)
FFr9.6425 (9.6025)
SFr2.5150 (2.5200)
Y244.50 (243.75)
£ Index 89.2 (89.1)

GOLD
New York: Comex Apr
$423.4 (423.3)
London:
$417.75 (416.25)

N SEA OIL (Argus)
Brent 15-day Mar
$20.075 (19.90)

Chief price changes yesterday: Page 24

DOLLAR
New York lunchtime:
DM1.68265
FFr5.7165
SFr1.4935
Y145.45
London:
DM1.6860 (1.6900)
FFr7.7350 (5.7075)
SFr1.4960 (1.4920)
Y145.35 (144.85)
$ Index 67.2 (67.0)
Tokyo close: 144.95

US LUNCHTIME RATES
Fed Funds 8¼%
3-mo Treasury Bills:
yield: 8.045%
Long Bond:
96 11/32%
yield: 8.457%

STOCK INDICES
FT-SE 100:
2,355.1 (+9.3)
FT Ordinary:
1,866.4 (+0.4)
FT-A All-Share:
1,174.99 (+0.4)
New York lunchtime:
DJ Ind. Av.
2,615.54 (+29.26)
S&P Comp.
331.94 (+3.15)
Tokyo: Nikkei
37,650.15 (+443.73)

LONDON MONEY
3-month interbank:
closing 15 3/32 (15 1/16)
Liffe long gilt future:
Mar 87 23/32 (87 31/32)

CONTENTS

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REFORM IN SOUTH AFRICA

● PROFILE

Mandela soon free to pursue political vision

"I HAVE fought against white domination and I have fought against black domination. I have cherished the ideal of a democratic and free society in which all persons live together in harmony and with equal opportunities. It is an ideal which I hope to live for and to achieve. But if needs be it is an ideal for which I am prepared to die."

With these words, Mr Nelson Rolihlahla Mandela, stately tribal prince and freedom fighter, concluded his four-hour defence before the court which jailed him for life over a quarter of a century ago.

It is a vision which places Mr Mandela in the best tradition of political liberalism. And now, as the African National Congress leader faces imminent release after 27 years in prison, it is a vision which inspires unprecedented optimism about South Africa's future.

For after over a decade of dithering, Pretoria has finally decided that Mr Mandela is a man with whom it can do business – a credible leader who has preached non-racialism; and one who has frequently said he is not a communist.

Although still confined to his bungalow in Victor Verster Prison he has been playing an increasing role in determining South Africa's future, with consultations taking place daily in the run-up to yesterday's speech to parliament by President F.W. de Klerk.

The world's most famous political prisoner, Mr Mandela has become an icon to millions of black South Africans and to millions more who oppose apartheid worldwide. With every year of his imprisonment he has gained in stature. Streets and parks have been named after him in foreign capitals; rock concerts have been staged in his honour.

Yet judgments of the man must rely largely on published speeches and writings over a quarter of a century old. A much more recent document, written by Mr Mandela and submitted to the Government in 1989, was leaked to the press earlier this month. Yet even it adds little to statements made by the ANC leader from the dock during the Rivonia trial in the 1960s.

"He is the born mass leader. . . dedicated and fearless. He cannot help magnetising a crowd: he is commanding with a tall, handsome bearing; trusts and is trusted by the youth, for their impatience relects his own; appealing to the women."

This description comes from one of Mr Mandela's closest friends and political associates, Mr Oliver Tambo, the ANC President. Mr Tambo, who was Mr Mandela's partner in the country's first African legal practice set up in 1952, has not seen his friend for 30 years.

But more recent visitors have used many of the same adjectives to describe the 71-year-old leader: commanding in stature, upright, fit, and impressive, both intellectually and physically.

Pretoria is clearly hoping that when Mr Mandela is released he can use this natural authority to preach moderation to his followers, many of whom grew to political maturity on the township streets of the mid-1980s, and advocate nothing short of violent revolution.

Yet to white South Africans for whom Mr Mandela is the chief demon in their universe of fear, the notion that the ANC leader could be a force for peace is simply preposterous.

His life conviction in 1964 followed a trial in which the Government alleged that he had plotted the violent overthrow of the South African state. The ANC has pursued that goal ever since, sometimes killing innocent civilians in the process.

But Mr Mandela's conversion to violence was slow and reluctant. Born in the Transkei on July 18, 1918 – in what is now a black homeland – he is a prince of the Thembu, which is the traditional ruling family of the Transkei. By the time Mssrs Mandela and Tambo set up their legal practice in 1952, Mr Mandela had already become a political figure within the country. He had helped to set up the ANC youth league in 1944 – the ANC itself dates back to 1912 – and had been elected to the ANC's ruling body, the National Executive Committee, in 1949.

Though still comparatively young, he played an important role in all the main events which marked the growing confrontation between South Africa's unenfranchised black majority and the National Party government formed in 1948: the 1952 defiance campaign of peaceful protest against apartheid; the adoption of the so-called Freedom Charter by a congress of the people in 1955.

The charter's central assertion is a belief in democracy and non-racialism which would have been remarkable nowhere except in South Africa, where it was considered revolutionary.

Because of his political activities, Mr Mandela faced successive banning orders and detention. In 1956, he was one of 156 people charged with high treason; as a trained lawyer, he helped conduct the defence and the accused were finally acquitted in 1961.

He then spent 17 months underground, during which he helped to form the ANC's armed wing, Umkhonto we Sizwe (Spear of the Nation); received guerrilla training in Algeria; and assumed various disguises for clandestine meetings with his pretty young wife, Winnie.

But on August 5, 1962, the man known as the Black Pimpernel was captured in Natal, dressed as a chauffeur and apparently betrayed by an informant. He was tried and jailed for five years for inciting African workers to strike and leaving the country illegally.

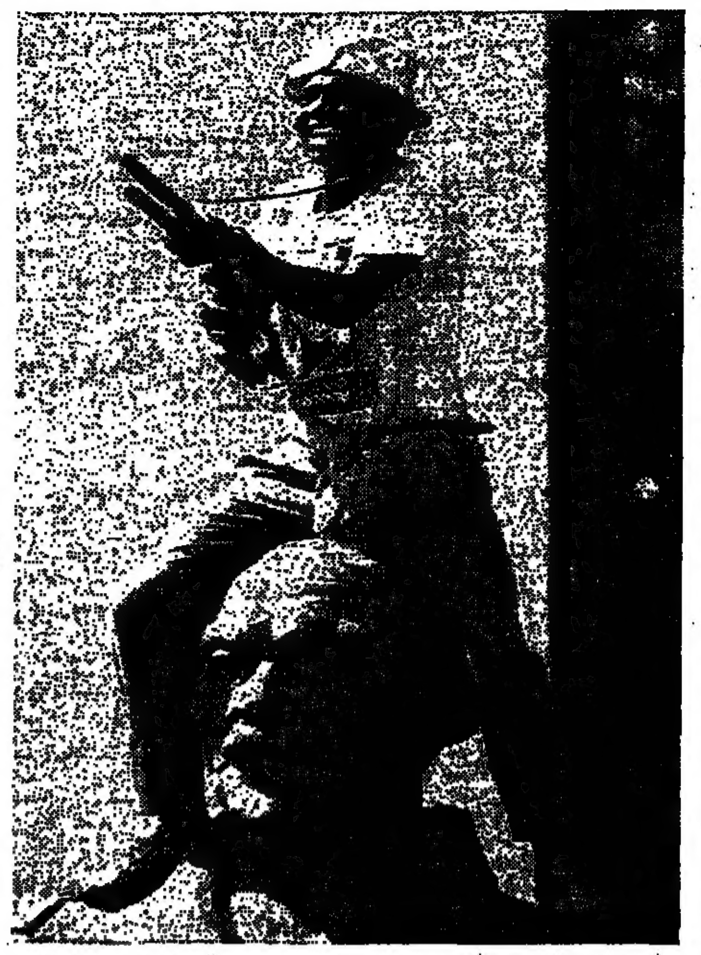
He was still in jail in 1963 when several Umkhonto leaders were arrested at a farm in the Johannesburg suburb of Rivonia and the celebrated Rivonia treason trial began. His speech at the trial traced his growing belief that non-violence could not succeed in South Africa, and his conversion to the need for military action, which led to Umkhonto's founding in 1961.

On the potentially contentious issue of the role of the South African Communist Party in the ANC, Mr Mandela declared: "The ideological creed of the ANC is, and always has been, the creed of African nationalism." Co-operation with the SACP was, he said, merely proof of a common goal – the removal of white supremacy – and not evidence of a "complete community of interests". He repeated this assertion in the document submitted to government officials last year.

The Rivonia trial ended with life convictions for Mr Mandela and fellow defendants. Imprisoned first at the notorious Robben Island prison off Cape Town, then at Pollsmoor on the mainland, in the Constantiaberg Clinic in Cape Town, and finally in the prison warder's bungalow near Paarl, Mr Mandela was a good-humoured figure, respected by prisoners and warders alike. A boxer in his youth, he exercised to keep fit, though he was treated for tuberculosis in 1988.

Freedom may well reduce him to more human dimensions. But after a quarter of a century of martyrdom for the cause, Mr Mandela can draw on enormous support from the black community. He will need it for the task ahead.

Patti Waldmeir



A jubilant ANC supporter armed with wooden rifle on top of a statue of ex-Prime Minister Jan Smuts in Cape Town yesterday

● REACTION

Anti-apartheid groups give cautious backing to de Klerk's speech

PRESIDENT F.W. de Klerk's address was warmly welcomed yesterday by a range of anti-apartheid bodies as well as leaders of African states, but all struck a cautionary note warning that further big steps would have to be taken to end apartheid.

The African National Congress welcomed the lifting of the bans on organisations and said Mr de Klerk's speech went a long way "towards creating a climate conducive to negotiations".

Mr Oliver Tambo, ANC president, said the organisation would take "urgent measures to review the new situation, to determine the steps we have to take to move our country further forward towards finally ending the apartheid system".

In a statement released in Stockholm, where Mr Tambo is undergoing medical treatment, he also struck a cautionary note.

He said the ANC was concerned that Pretoria had decided not to release all political prisoners, that the state of emergency was not to be lifted, and and that detention without trial would continue.

The ANC also called for the continued isolation of South Africa.

Normalisation of relations between South Africa and the rest of the world would continue to depend on ending the apartheid system, the organisation declared.

The Anti-Apartheid Movement said Mr de Klerk's speech had "clearly been of great significance. The apartheid regime has half opened the door to a process of negotiations that could lead to the ending of apartheid."

But the movement also attacked Mrs Margaret Thatcher, the British Prime Minister, for extending an invitation to Mr de Klerk to visit London. "This is not the time for carrots. Indeed it is vital that we maintain and intensify international pressure until apartheid is destroyed and a united, non-racial and democratic South Africa is created."

The organisation added that it was "disappointed that Mr Mandela remained in prison and said "no negotiations can start until he has been released".

The South African Communist Party cited the "positive steps taken towards creating a climate for negotiations" and welcomed the pending release of Mr Mandela and some political prisoners. But, it added, the "main pillars of apartheid are still standing. The struggle is far from over".

The only dissenting voice appeared to be the Pan Africanist Congress (PAC) which said that reforms were meaningless, and pledged to intensify its fight against apartheid.

Mr Waters Toboti, Information Director of the Tanzania-based group, said it was impossible to speak of reforming apartheid and that Mr de Klerk was merely trying to neutralise his opponents.

"The reforms announced by de Klerk today are irrelevant and meaningless because apartheid cannot be reformed. We cannot talk about ending apartheid. We can only eliminate it," he said.

"We are going to intensify the armed struggle to greater levels through the training of more cadres and through confrontation with the enemy on the ground," he said. The organisation, however, has no significant military presence in or outside South Africa.

Mr Toboti said the reforms were too little and too late and accused Mr de Klerk of trying to experiment.

Mr Rilwanu Lukman, Nigeria's External Affairs Minister said: "We are sure this signals a genuine change on the part of the South African authorities and we welcome it wholeheartedly. If this continues then I hope we will soon see black people given their full rights in South Africa."

Caroline Southey

● ZULUS

ANC leader is key to Inkatha co-operation

WHEN King Goodwill Zwelithini rose to address a tribal convention of the Zulu nation last November, there were probably 70,000 people present at Durban's King's Park stadium. The African National Congress had held a rally the previous month to welcome home seven ANC leaders released from prison. That rally was not much larger than King Goodwill's.

In a country where black people are not allowed to express their political preferences through the ballot box, attendance at such events is one of the few ways of gauging the popularity of a political movement. According to such measures, there can be little doubt that Inkatha – the 1.5m-strong Zulu organisation led by Chief Mangosuthu Buthelezi, Prime Minister of the KwaZulu homeland – has a strong political base.

The ANC may well be right when it claims that attendance at Inkatha rallies is coerced and that Inkatha has misused its support, provoking violence in the Pietermaritzburg area which has left over 2,500 blacks dead in the past three years. But however valid complaints about Inkatha excesses, the group remains a force which the ANC ignores at its peril.

Mr Mandela has long made clear that he sees Inkatha as an essential part of South Africa's solution. He has gone out of his way to placate Chief Buthelezi. In June last year, he wrote to him to express his "fervent hope" that the good relations which existed between Inkatha and the ANC in the 1970s would be restored.

Mr Mandela referred to the violence in Natal, which has pitted Inkatha members against supporters of the ANC and its allies, the United Democratic Front and the Congress of South African Trade Unions (Cosatu). But his tone was conciliatory.

Still, relations between the two groups remain severely strained. Peace talks in Natal between Inkatha and the UDF/Cosatu, which took place with ANC support, have been suspended for months. And Inkatha was conspicuously absent when anti-apartheid groups held an historic conference in Johannesburg last December.

The conference brought together delegates of the Mass Democratic Movement (MDM), closely allied to the ANC, and the much smaller Black Consciousness Movement. But unity with Inkatha is clearly a more serious imperative; yet it seems increasingly likely that only Mr Mandela, with his strong personal links with Chief Buthelezi, can hope to achieve a reconciliation.

Yet reconciliation will not come without political cost. Chief Buthelezi has always insisted on Mr Mandela's release as a pre-condition for talks with Pretoria. But he clearly intends to take a seat at the table as well. Once there, Chief Buthelezi's political demands could well conflict with those of Mr Mandela.

The former makes clear he would consider a cantonal or federal government for South Africa, while the ANC insists on a system of one-man, one-vote in a unitary state. Also, Chief Buthelezi's admiration for economic systems based on free enterprise will find few supporters in the ANC, which is closely allied with the South African Communist Party.

Whatever their differences, Mr Mandela and Chief Buthelezi both know that co-operation between them is crucial, not only to end apartheid but, more crucially, to ensure that post-apartheid South Africa does not suffer the factional or tribal violence which has destroyed so much of the rest of the continent.

Patti Waldmeir

● TALKS

Wide gap remains on shape of constitution

ALTHOUGH the unbanning of political organisations and the imminent release of Mr Nelson Mandela open the way to talks on a new South African constitution, there is a wide gap between the Government and the ANC.

The former has made clear its determination to base a new constitution on what are called "group rights", a concept based on racial categories. The latter proposes a majority rule constitution.

The ruling National Party's proposals were set out in broad terms in its 1989 election manifesto.

It envisaged a "new South Africa", which will be a "democracy" in which "no individual or group dominates or is dominated". There would be an independent judiciary and a "free enterprise" economy.

It promises that "within the next five years" the Government will "engage leaders of groups committed to peaceful solutions in talks and negotiations".

These will lead to the creation of "institutions in which these leaders can participate in the creation of a new South Africa" and to review the role of the head of state.

"Every South African has the right to participate in decision-making at all levels of government that affect his interests subject to the principle of non-domination," the manifesto continues.

It stresses the importance of "self-determination regarding own affairs" (i.e. the affairs of racial groups) but also seeks "a more just and meaningful basis on which groups may be defined for political participation".

The ANC stand is set out in a document which was endorsed by the Organisation of African Unity at a meeting in Harare, Zimbabwe, last August. It calls for:

- "A united, democratic and non-racial state".
- "Common and equal citizenship and nationality, regardless of race, colour, sex or creed".
- Universal suffrage, and a common voters' roll.
- The right to form and join any political party "provided this is not in the furtherance of racism".
- An entrenched Bill of Rights, equality before the law, and an independent, non-racial judiciary.
- "An economic order which shall promote and advance the well-being of all South Africans".

Michael Holman

● VIEW FROM LUSAKA

Militants forced to adopt the weapons of democracy

AS A senior leader of the African National Congress, Secretary-General of the South African Communist Party, and former chief-of-staff of the ANC's military wing, Mr Joe Slovo is not a man used to mincing words.

He could not wait for the ANC flag to fly over Pretoria before speaking out, he told the FT early last year in the Zambian capital of Lusaka, headquarters of the ANC. "As a communist I believe in the transfer of the means of production to the people. Putting a cross on a ballot is not what liberation is all about. Liberation is breaking economic monopoly in South Africa."

It is a mark of the speed with which change has come to South Africa that just one year later Mr Slovo has quite a different message: liberation, he now maintains, is indeed about putting a cross on a ballot.

"We cannot disclaim our share of the responsibility for the spread of the Stalin cult and a mechanical embrace of Soviet policies," states Mr Slovo in a recent document calling for a re-orientation of South African communism.

Mr Slovo is not the only ANC leader in Lusaka now questioning long-held beliefs. Nor is proletarian dictatorship the only revolutionary shibboleth to have been jettisoned.

As the pace of events inside South Africa has accelerated, so too has the fear among exiled ANC leaders in Lusaka that they may be edged out of the negotiation process.

A stroke last year effectively immobilised Mr Oliver Tambo, the 72-year-old ANC president, who was flown to Europe for medical treatment. The release last October of seven senior AC officials from imprisonment in South Africa has created an internal ANC, with the result that the Lusaka wing has often seemed out of touch with events at home.

On the regional front, the Namibian settlement has been a blow. As part of the deal Angola closed guerrilla camps, while Mr Sam Nujoma, Namibia's president-in-waiting, has made clear that the organisation will be limited to a diplomatic presence in an independent Namibia.

Moreover, under President Mikail Gorbachev the Soviet Union, the ANC's main backer, has been pushing the organisation towards negotiations, and to adopt a pragmatic stance on issues such as economic policy and the white minority.

More recently, the spectacle of Mr Pik Botha, Pretoria's Foreign Minister, paying an official visit to Hungary, once a vocal member of the UN Committee on Apartheid, was a further blow. It highlighted the fact that the upheaval in Eastern Europe has undermined the ANC's relationship with a bloc which hitherto offered economic and military support.

ANC officials in Lusaka put on a brave face. Mr Henry Makgothi, Deputy Secretary-General, speaking in an interview stressed that the Lusaka office was not isolated or out of touch with events at home. It had been able to maintain contact with imprisoned leaders on all important issues and co-ordinated policy with them, he stressed.

"We would like to think Nelson Mandela's freedom will be a catalyst and a spur to heightened activity," he said. "But we do not want the release to dissipate into uncontrolled violence."

Yet the ANC might find itself in a dilemma. In order to remain the "vanguard" of the anti-apartheid revolution, it must maintain an aggressive attitude towards the Pretoria regime at home.

If, on the other hand, it wishes to retain the support of the international community and pursue a path of peaceful negotiation with Pretoria, it must keep a firm grip on its more radical elements.

The official ANC stand is that both diplomatic initiative and military activity are necessary to drive Pretoria to the bargaining table.

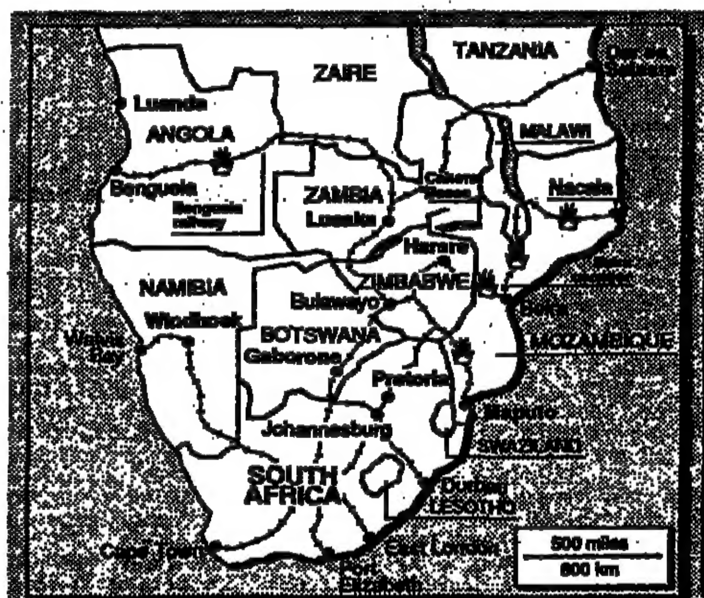
But there remains a wide variety of opinion on the proportion in which these two elements should be mixed. While the "internal" leaders of the ANC, such as Mr Mandela and Mr Walter Sisulu, are seen as having taken a moderate, pro-negotiation stance, there are exiled ANC leaders who continue to believe in the supremacy of the gun.

The Lusaka leadership is now confronted with a large number of challenging policy decisions. In the short term it must look ahead, for example, to what organisational structures it might assume as an unbanned organisation; to a new range of political options in a post-emergency society; to the role of Nelson Mandela and those leaders who have already been released.

In the long term, broad-based policies calculated to bring maximum support will have to be more narrowly defined. These range from the precise role of private enterprise in the "mixed economy" now advocated by the ANC, to the nature of "socialist democracy" as seen by the ANC's communist faction.

Mr Thabo Mbeki, ANC Director of International Affairs, claims Nelson Mandela's release will have no effect on the decision making of exiled ANC leaders. That is debatable. But certainly it will force the pace on these issues.

Nicholas Woodsworth



South Africa has waged a military campaign against black southern African states over the last decade, either directly or through rebel movements. It has had two main objectives: to reinforce dependence on South African trade and transport links by sabotaging alternative routes to the sea; and to combat the African National Congress's military campaign by forcing black governments into non-aggression pacts which have led to the expulsion of ANC guerrillas and the closure of their training camps. Hundreds of thousands of southern Africans have died, while the damage done to the economies of the region runs into billions of dollars

Zambia: ANC headquarters, but no military bases allowed
Tanzania: only country in region to allow ANC military training facilities
Zimbabwe: 1980 - end of white rule, but new government only permits ANC civilian representatives
Botswana: long standing ban on ANC guerrillas
Swaziland: 1982 - secretly signed non-aggression pact
Mozambique: 1984 - ANC guerrillas expelled under non-aggression pact with South Africa
Lesotho: 1986 - new government expelled ANC after South African economic blockade led to coup
Angola: 1989 - ANC bases closed in compliance with non-aggression clause in Namibian independence settlement
Namibia: 1989 - settlement terms assume government of independent Namibia will not harbour ANC fighters

● PRESIDENT'S SPEECH

'The time for reconstruction and reconciliation has arrived'

This an edited version of President F.W. de Klerk's speech.

'THE season of violence is over. The time for reconstruction and reconciliation has arrived. . .

I paid fruitful visits to Venda, Transkei and Ciskei and intend visiting Bophuthatswana soon. In recent times there has been an interesting debate about the future relationship of the TBVC countries with South Africa and specifically about whether they should be re-incorporated into our country.

Without rejecting this idea out of hand, it should be borne in mind that it is but one of many possibilities. These countries are constitutionally independent. Any return to South Africa will have to be dealt with, not only by means of legislation in this Parliament.

Human rights:

The Government accepts the principle of recognition and protection of the fundamental individual rights which form the constitutional basis of most Western democracies. We acknowledge, too, that the most practical way of protecting those rights is vested in a declaration of rights justifiable by an independent judiciary.

However, it is clear that a system for the protection of the rights of individuals, minorities and national entities has to form a well-rounded and balanced whole. South Africa has its own national composition and our constitutional dispensation has to take this into account. The formal recognition of individual rights does not mean that the problems of a heterogeneous population will simply disappear.

Naturally, the protection of collective, minority and national rights may not bring about an imbalance in respect of individual rights. It is neither the Government's policy nor its intention that any group – in whichever way it may be defined – shall be favoured.

The Government is requesting the Law Commission to undertake a further task and report on it.

Negotiation:

I committed the Government during my inauguration to giving active attention to the most important obstacles in the way of negotiation. Today I am able to announce far-reaching decisions in this connection.

The steps that have been decided, are the following:

- The prohibition of the African National Congress, the Pan Africanist Congress, the South African Communist Party and a number of subsidiary organisations is being rescinded.
- People serving prison sentences merely because they were members of one of these organisations. . . will be released.
- The media emergency regulations as well as the education emergency regulations are being abolished.
- The security emergency regulations will be amended to still make provision for effective control over visual material pertaining to scenes of unrest.
- The restrictions on 33 organisations are being rescinded.
- The conditions imposed in terms of the security emergency regulations on 374 people on their release, are being rescinded, and the regulations. . . abolished.
- The period of detention. . . will be limited henceforth to six months. Detainees also acquire the right to legal representation and a medical practitioner of their own choosing.

I wish to emphasise that the maintenance of law and order dare not be jeopardised.

On the state of emergency I have been advised that an emergency situation, which justifies these special measures which have been retained, still exists. There is still conflict which is manifesting itself mainly in Natal, but as a consequence of the countrywide political power struggle.

It is my intention to terminate the state of emergency completely as soon as circumstances justify.

With the steps the Government has taken, it has proven its good faith and the table is laid for sensible leaders to begin talking about a new dispensation, to reach an understanding by the way of dialogue and discussion.

Among other things, those aims include a new, democratic constitution; universal franchise; no domination; equality before an independent judiciary; the protection of minorities as well as of individual rights; freedom of religion; a sound economy based on proven economic principles and private enterprise; dynamic programmes directed at better education, health services, housing and social conditions for all.

In this connection Mr Nelson Mandela could play an important part. The Government has noted that he has declared himself to be willing to make a constructive contribution to the peaceful political process in South Africa.

I wish to put it plainly that the Government has taken a firm decision to release Mr Mandela unconditionally. I am serious about bringing this matter to finality without delay. The Government will take a decision soon on the date of his release. Unfortunately, a further short passage of time is unavoidable. . . there are factors in the way of his immediate release, of which his personal circumstances and safety are not the least.

Without conceding that violence has ever been justified, I wish to say today to those who argued in this manner:

- The Government wishes to talk to all leaders who seek peace.
- The unconditional lifting of the prohibition on the said organisations places everybody in a position to pursue politics freely.
- The justification for violence which was always advanced, no longer exists.

Therefore, I repeat my invitation with greater conviction than ever: Walk through the open door, take your place at the negotiating table together with the Government and other leaders who have important power bases inside and outside of Parliament. . . the time for negotiation has arrived.'

OVERSEAS NEWS

Bulgaria's new leader faces an image problem

By Judy Dempsey in Belgrade

BULGARIA'S ruling Communist Party yesterday elected a new party leader in an attempt to restore its tarnished image in time for the free elections, as well as to speed up the pace of political and social reforms.

Mr Alexander Lilov, a 56-year-old former ideology chief replaced Mr Petar Mladenov as party leader following a stormy closed session of the party's extraordinary congress which ended yesterday in Sofia.

Mr Mladenov, in power since November 10 following the ousting of Mr Todor Zhivkov in a bloodless palace coup, resigned on grounds of ill health. But his critics say that he proved unable to tackle the country's growing economic and political crisis.

The congress also agreed on new party statutes and a new party manifesto which retains solid Marxist principles but allows greater internal discussion within the party's ranks.

Mr Lilov, regarded as a reformer who was, however, sharply attacked during the congress for his close identification with the Zhivkov regime, may be strong enough in rallying the whole party behind him as it faces the electorate in May.

Earlier in the week, a group of radical Communist intellectuals in the newly-formed Association for Socialist Organisation threatened to break away from the conservative- dominated BCP altogether.

But yesterday, in a move to strengthen his hand, Mr Lilov added 22 of their members to the 131-strong Supreme Council which replaces the old central committee. Mr Lilov was a close ally of Lyudmila Zhivkova, Mr Zhivkov's daughter, who had attempted to push through a number of liberal measures, particularly in the cultural field.

Following her untimely death in 1981, Mr Lilov was dropped from the politburo and the central committee secretariat in 1983. Although his election is seen as a victory for the party's moderates, Mr Lilov remains unpopular among Bulgarian nationalists for his support in restoring the ethnic and cultural rights to the country's large Turkish-speaking minority.

Mladenov: Heavily criticised

One of Mr Lilov's immediate tasks is to separate party and state which will mean ceding more independence in economic and social matters to the Communist-dominated government.

But the government's ability to tackle the economic crisis will depend on who will succeed Mr Georgi Atanasov, the conservative Prime Minister who resigned on Thursday.

One of the main contenders is Mr Andrey Lukanov, a technocrat and former Minister for Foreign Economic Relations. It is expected that the new Government will consist of non-Communist technocrats and experts.

So far, the Union of Democratic Forces, the umbrella for the independent opposition groups, have refused to join any coalition government based on national consensus. Depending on who will be the next Prime Minister, they could well be tempted into sharing power.

● Bulgaria's deposed Communist leader Todor Zhivkov, awaiting trial for misrule after being ousted last November, was admitted to hospital yesterday and placed under intensive care, the official BTA news agency said. Bulgarian authorities denied rumours that Mr Zhivkov, 78, was dead.

Reprimands for senior Soviets in tank scam

By Mark Nicholson

THREE Soviet cabinet ministers have been severely reprimanded and a senior general sacked and disbarred after being caught trying to export 12 modern T-72 battle tanks to the West for $8m (£4.8m) profit.

The affair, described by Mr Nikolai Ryzkov, the Soviet Prime Minister, as "the most disgraceful page in the economic history of our country" came to light early this month when the tanks and crates of submachine guns were found by KGB agents in a freight train at the Black Sea port of Novorossisk.

The illegal export deal was made through a state co-operative, ANT, after a series of highly unofficial deals with at least three government ministries.

Several senior military officers were said to have been informed about the deal to export the T-72 tanks, however, nobody apparently moved to stop it.

Moreover the Government said that ANT, which has been closed down, also had Roubles558m worth of export deals in the works, including the sale of large quantities of strategically important metals and sensitive aviation equipment.

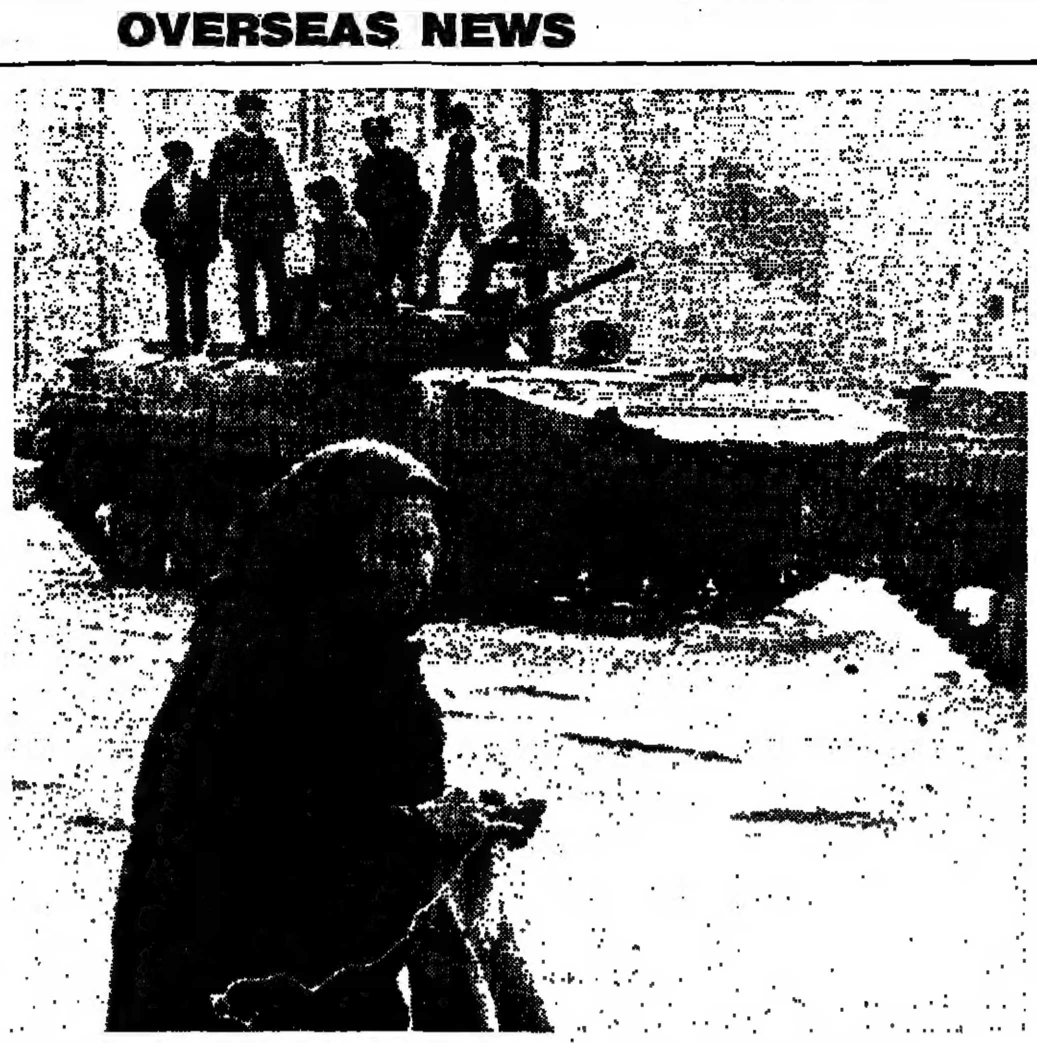
A government statement said that "strict punishments" will be meted out to Mr Boris Belusov, Mr A. Systsov and Mr Vladimir Shimko, respectively the ministers of defence, aviation and radio industries.

General V. Dogvan, a senior military-industrial administrator, has been sacked and stripped of his rank after having informally approved the sale of the tanks to ANT.

Mr Anatoly Bratukhin, the deputy aviation minister has also been fired for gross violation of arms export regulations.

The T-72s, the Soviet Union's main battle tank since the 1970s, were fully equipped. However, it is not know to which Western country they were to have been sold.

● Former Leningrad Communist Party boss, Mr Yuri Solovyov, has been expelled from the party for buying a foreign-made car during his term, the news agency Tass reported.



An old woman knits in front of Soviet tanks deployed in the Armenian village of Tekh

Soviet PM calls for fuel price review in bid to avert strikes

By Mark Nicholson in Moscow

PRIME MINISTER Nikolai Ryzhkov yesterday asked the top Soviet planning body, Gosplan, and the Finance Ministry to reconsider fuel and transport price rises which threaten to spark strikes in several key industries.

However, Moscow has still not officially responded to a union commission – representing workers in the steel, construction, energy and chemical industries – which wrote to the Government calling for the January 1 price decree to be annulled.

An official spokesman said yesterday that while full repeal of the decree was unlikely, some "flexibility" on aid to particularly hard-hit enterprises could not be ruled out.

A member of the Central Committee of Trades Unions claimed that the decree has raised the price of diesel by 110 per cent, electricity by 8 per cent and tariffs on transport by between 25 and 39 per cent.

With enterprises unable to pass on higher costs under the Soviet fixed-pricing system, workers complain that businesses will be forced to cut wages and benefits in the face of losses and bankruptcy.

The government spokesman also hinted at possible flexibility on this point. He said that while allowing enterprises to raise their own retail prices would defeat the object of forcing them to economise on energy, nevertheless "some effects of the rises could end up in the shops."

Pravda, the Communist Party newspaper, yesterday reported claims that some industries were already suffering profit falls after the price rises. It said profit downturns had been calculated at Roubles 6bn (£6bn) in construction, Roubles 1.2bn in chemicals, Roubles 21m in energy, and Roubles 760m in timber.

Union leaders said yesterday that members felt strongly enough about the the issue to strike, but added that they hoped the Government would open immediate talks with a specially-formed commission of leaders from the biggest unions.

They also said that they had no intention of breaching legislation passed after last summer's miners' strike which banned stoppages in key sectors of the economy.

● The Soviet Union could join the United Nation's Food and Agricultural Organisation by the end of this year, a Soviet envoy said yesterday.

Yugoslavia's army 'ready to use force to calm Kosovo'

By Judy Dempsey in Belgrade

THE Yugoslav army yesterday said it was ready to use force as a means of preventing civil war in the southern province of Kosovo following 10 days of unrest among the ethnic Albanian majority who are calling for free elections and an end to the state of emergency.

The announcement, made by General Stane Brovet, the Deputy Minister for Defence, coincided with a visit to the Province of Mr Janez Drnovsek, the federal state President.

"The Yugoslav People's army is ready and capable at all times of carrying out the constitutional duty to defend the sovereignty of the country, social order, the life and property of citizens," Gen Brovet said.

He added that Yugoslavia will "not break up in any way. . . there will be no violent takeover of power, nor will we permit a civil war in the country.

"The intentions of the ethnic Albanians must be prevented by all means available and even by force."

Mr Brovet's remarks are seen as a two-pronged strategy aimed as calming emotions in Serbia and showing to the ethnic Albanians that the army will not stand idly by if the demonstrations and violence continues.

Earlier in the week, thousands of nationalist Serbs took to the streets in Belgrade demanding protection for the small Serb and Montenegrin minorities in Kosovo who, because of alleged intimidation by the ethnic Albanians, are forced to leave the province.

The Republic of Serbia, led by Mr Slobodan Milosevic, regained control over Kosovo in late 1988 following amendments to the Serbian constitution which gave it direct control over the running of the province despite opposition by the ethnic Albanian majority.

Yesterday, Mr Drnovsek met with the local party and state leaders and planned to address the students in an attempt to restore stability to the province.

His visit is an indication that the conflict is no longer seen as a dispute between Serbia and Kosovo, between whom there is no trust or confidence, but is now a problem which must be resolved on the Federal level.

Twenty-one people have died since demonstrations and clashes between the police and the ethnic Albanians started 10 days ago.

Polish inflation, jobless rates hit post-war peaks

POLAND'S unemployment and inflation jumped to post-war records last month as government austerity measures began to bite, according to figures issued yesterday, Reuter reports from Warsaw.

State TV said overall inflation in January was 68.2 per cent while food prices rose 75 per cent. The overall figure far exceeded December's 17.7 per cent rise. Unemployment soared to tens of thousands for the first time in post-war Poland after being officially non-existent for 45 years.

Ms Malgorzata Niezabitowska, Government spokeswoman, said 55,800 people were registered as unemployed and seeking jobs in January, against 9,600 in December.

Jobs available fell from 254,000 to 35,200. The ratio of jobs available dropped from 26 per job-seeker to less than one. In Warsaw, the rate was 5-1. Measures are ready to cope with 400,000 unemployed under the government austerity programme, but experts forecast up to 1m.

The rise in prices and unemployment showed the impact of the IMF-backed corrective programme launched on January 1 to curb hyper-inflation. There were signs that the programme was on track.

Ethnic violence fuels Greek-Turkish crisis

By Jim Bodgener in Ankara

TENSION deepened between Turkey and Greece yesterday over alleged Greek persecution of the 120,000-strong ethnic minority in Western Thrace.

The crisis is the worst since the two countries were on the brink of war three years ago over mineral and territorial rights in the Aegean, according to diplomats in Ankara.

Turkish retaliation on a Greek counterpart in Istanbul was expected for a Greek demand on Thursday for the recall of Turkey's consul in Komotini, Western Thrace.

Athens demanded his repatriation unless a sharp memorandum to Greek authorities in Komotini over the alleged attacks by Greeks on the Turkish minority at the weekend was rescinded. Turkey on Thursday recalled its ambassador to Athens for consultations.

Hostility between Greeks and ethnic Turks in Komotini boiled over last Sunday after a sentence of 18 months jail and three years civil rights deprivation was imposed on a former Greek parliamentary deputy, Mr Sadik Ahmet, and a Greek parliamentary candidate, Mr Ibrahim Serif, both ethnic Turks.

They were charged for campaign manifestos promoting Turkish interests in the November general elections.

According Turkish accounts, Greeks ran amok, molesting and harassing Turks, and ransacking mosques.

But a Greek government spokesman has said that Monday's violence was started by both sides. The Greek Foreign Ministry has described as unacceptable appeals by Mr Mesut Yilmaz, the Turkish Foreign Minister, for the international community to defend human rights in Komotini and his accusation that Greece had violated them.

Rounding the quarrel was the arrival of Mr Rauf Denktash, the Turkish Cypriot leader, in Ankara on Thursday for two days of discussions with senior ministers and President Turgut Ozal.

Mr Ozal reaffirmed that Turkey fully supported the northern Cypriot administration, and would not put pressure on Mr Denktash to agree a settlement for the divided island.

A resumption of the stalled settlement talks between Mr Denktash and his Greek Cypriot counterpart, Mr George Vassiliou, is expected in late February.

However, the Komotini crisis could finally kill off the now debilitated reconciliation process started between President Ozal, then premier, and his Greek opposite number at the time, Mr Andreas Papandreou, at an international economic forum in Davos in early 1988, said Ankara diplomats yesterday.

Oslo upset at fish dumping investigation

CLAIMS by Scottish and Irish salmon growers that Norway has been dumping fish on the European Community market are to be formally investigated by the Brussels Commission.

Yesterday's announcement – too late to save producers already squeezed out of business by last year's falling prices – is highly embarrassing for the Oslo Government just as efforts to forge closer links between the EC and countries of the European Free Trade Association are being stepped up.

If the complaint is upheld, Norway could face anti-dumping duties, though a voluntary restraint agreement is thought a preferable alternative.

According to evidence submitted in Brussels, imports of Norwegian salmon have leapt from around 21,000 tonnes in 1986 to an estimated 79,000 in 1989, including a 70 per cent jump in the last 12 months.

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EC decision expected soon on BAe compensation for Rover

By Lucy Kellaway, Alison Smith and Kevin Done

A DECISION is expected soon from the European Commission on whether to make British Aerospace compensate the UK Government for allegedly having paid too little for Rover, the state-owned car group which it bought in 1988, and on whether BAe should repay sweeteners granted at the time of the deal.

Competition experts in the Commission will next week submit a report to Sir Leon Brittan, EC Commissioner, who is likely to recommend repayment of sweeteners worth £33m.

It is still unclear whether he will take the more drastic step and demand that British Aerospace makes good the under-valuation, which has been estimated at as much as £200-250m.

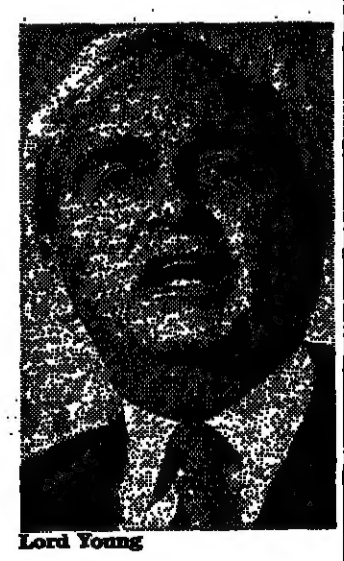
The issue will be seen as a test of Sir Leon's impartiality. He will be under pressure from other commissioners to take an equally hard line with British Aerospace as he took recently with illegal state aid granted to Renault, the French state-owned car company, and with Alfa Romeo, the Italian car group.

Any sign that he was falling back on his previously hard line on state aids would be taken badly by other commissioners.

The Commission must prove that the low price counts as state aid, which will involve producing some objective measure of under-valuation.

There are no precedents for this. Although the Commission looked into the price paid by Fiat for Alfa Romeo in 1986 – which was lower than a

Leon Brittan



Lord Young

rival offer placed by Ford – it decided that the higher risks taken by Fiat compensated for the lower price paid.

The Commission inquiry follows a report from the National Audit Office last year in which £38m of sweeteners were detected. All of this money appears to fall within the Commission's definition of illegal state aid, with the exception of a £5m payment that was planned to be made to the European Columbus project, but which never materialised.

Lord Young, UK Secretary of State for Trade and Industry at the time of the Rover sale in 1988, last month vigorously defended the terms of the deal and insisted that the extra financial concessions granted to BAe did not constitute state aid and therefore did not need to be disclosed to the European Commission.

Some of the financial inducements to BAe, totalling an estimated £38m, were concealed from the European Commission and were only disclosed in November in a leaked memo from the National Audit Office.

Lord Young insisted that the major concession, namely the deferment of the payment by BAe of the £150m purchase price until March 31, this year – a delay estimated to be worth £22m to BAe – did "not represent state aid under the definition of state aid in the Community."

The Government denied yesterday that the European Commission had already come to a verdict on the Rover deal.

Bush urged to act on Chinese-US takeover deal

By Peter Riddell, US Editor, in Washington

PRESIDENT George Bush has been advised for the first time to use his strengthened powers over foreign takeovers to order a Chinese government corporation to sell a US aircraft parts manufacturer it bought two months ago.

Mr Bush's decision, expected late last night, has important implications both for US policy towards China and for the application of the Exon-Florio provisions of the 1988 trade act which allow the President to block foreign takeovers of US companies on national security grounds.

The deal involves the acquisition by Catic, the China Aero-technology Import-Export Corporation, a government agency, of Mamco Manufacturing of Seattle. Mamco produces metal components solely for commercial aircraft, notably the Boeing group. None of the parts are exported to China, nor are they on any US list of proscribed items or technology.

However, the committee on foreign investment in the US, an inter-agency group chaired by the Treasury, has investigated the deal and recommended that Catic should sell Mamco, even though the acquisition had already been completed. Under Exon-Florio, the character of the purchaser as well as the product can be examined on national security grounds. Catic handles the purchase of material and technology for military aircraft.

The takeover was referred to the committee since it does not come within the sanctions imposed by the US on China following the Tiananmen Square massacre last June.

There has been a vigorous debate among Mr Bush's advisers about whether to accept the committee's recommendation.

Some officials have apparently argued that blocking the deal would undermine the positive effect on US/Chinese relations of his successful veto last week of legislation on Chinese students.

However, allowing the takeover to go ahead might further arouse Congressional criticism of Mr Bush's desire not to isolate the Peking regime.

FAA orders checks for cracks on Boeing 757s

By Roderick Oram in New York

THE Federal Aviation Administration has ordered US operators of Boeing 757 airliners powered by Rolls-Royce engines to inspect for cracks in pins holding the aircraft's two engine struts to the wings.

Failure of the two pins on each strut could cause the strut and engine to separate from the wing, the regulatory agency said. If cracks are found the pins must be replaced immediately.

While the order covers only US operators, foreign regulators are certain to follow suit and order British Airways and other carriers to inspect such a critical component.

The Civil Aviation Authority has already ordered British Airways and other UK carriers to make the inspection. In response to a similar check ordered a year ago on Pratt and Whitney powered 757s, Boeing said it was introducing a new type of pin on its production line in May.

The pins will also be fitted to all existing aircraft using the two makes of engine. Three US carriers – American, America West and Eastern – operate 43 757s powered by Rolls-Royce engines.

The worldwide total of such aircraft is 134, with foreign carriers including British Airways.

A further 113 aircraft worldwide have Pratt & Whitney engines. The first cracks on Rolls-Royce powered aircraft were found by Eastern, it is believed. Boeing said one US carrier has found 12 cracked pins on seven aircraft, and a second six on seven airliners.

Brazil's prosecutors play roles of hero and villain

John Barham reports on a group of defenders who have traced their origins to medieval Portugal

BRAZIL has a long tradition of enacting and then ignoring ambitious laws, in particular those that threaten powerful vested interests. An aphorism frequently quoted by the political and business élite states: "For our friends, everything. For our enemies, the law."

When Brazil adopted its new Constitution in 1988, many observers doubted that it would ever be fully enforced. The real world, ran the argument, cannot be moulded to conform to the text of a prolix, nationalistic, and absurdly utopian constitution. But now, to the surprise of many, a once obscure body of constitutional watchdogs has begun to bite. They have taken on the Government, major corporations and, in the most celebrated case of all, the Amazon's lawless gold prospectors.

The watchdogs, called prosecutors of the republic, have broad powers to enforce the Constitution and defend civil rights, the rights of Indians and protect the environment. They act not only as public prosecutors but as investigators and policemen as well. In practice, the prosecutors have become a fourth branch of government, independent of the executive and answerable only to the courts and congress.

They trace their origins to medieval Portugal, when royal prosecutors acted for the monarch. Over the years, prosecutors became more independent, acting for the republic, and

> 'Prosecutors tend to be young, idealistic and left-wing and are popular with grassroots groups'

now, under the new Constitution, for society as a whole.

Prosecutors still retain a residual role as the government's attorneys, however. They tend to be young, idealistic and left-wing. "The spirit of the prosecutor is to discomfit, to challenge," says Mr Aristides Junqueira Alvarenga, the chief prosecutor. That outlook has made prosecutors popular with grassroots pressure groups and earned the fury of bureaucrats and businessmen.

The judiciary seems bound to assume an important role in transforming the Constitution's impressive civil rights clauses into meaningful statutes.

The prosecutors are happy to accuse and the courts have shown that they have the clout to make the Government submit to their orders. For instance, after months of procrastination, the Government has begun to obey a court order to evict thousands of gold prospectors from the territory of the Yanomami Indians. Although litigation over the Yanomami issue may rage for years, it now appears that the courts, rather than indifferent government bureaucrats, will decide the Indians' fate.

In another case, the prosecutors took up the cause of Amazonian rubber tappers trapped in debt bondage. Mr Alvarenga sent prosecutors and federal police into the jungle to free the rubber tappers and arrest their oppressors. But Mr Alvarenga says his broad aim is to use his powers to improve the quality of government, by making the executive doubly accountable. In the past, Congress has shown little interest in controlling the executive. But Mr Alvarenga and his 300 prosecutors are intent on making the Government obey the law.

They are also determined to check the powers of powerful vested interests. Speaking in a quiet, measured voice, Mr Alvarenga explains: "If we punish one case of abuse, it is obvious that indirectly we are dealing with Brazil's economic problems. By jailing a corrupter, we are stopping corruption in the Government."

Crooked exporters, contractors, oligopolists and speculators are high on Mr Alvarenga's hit list. But, so far, the prosecutors have been more successful in defending Indians and rubber tappers than jailing unscrupulous businessmen. That surprises few Brazilians. After all, the rich and well-connected have traditionally enjoyed almost complete immunity from punishment.

The prosecutors' only prominent target so far is Mr Naji Nahas, a speculator who brought the stock markets to the brink of collapse last year. He and fellow speculator, Mr Elmo de Camoes, son of a former central bank president, should stand trial this year. If the prosecutors manage to put Messrs Nahas and Camoes behind bars, they will undoubtedly send alarm bells ringing throughout the business community. It is a big if. It can take years for the judiciary to give its final verdict on the least controversial case.

Brazil has no tradition of

> 'If we punish one case of abuse, we are indirectly dealing with Brazil's economic problems'

case law. Verdicts do not create precedents, so judges often make wildly different rulings on similar cases. That means relatively minor suits are often fought all the way to the Supreme Court.

The legal system is further burdened with a mass of legislation that is rarely consolidated into rational codes. Delays are certain to multiply as litigation fever grips Brazil. Many think zealous prosecutors are partly to blame. Even Indian rights campaigners have criticised gung-ho prosecutors for being too quick to push weak cases.

Businessmen shrink in horror at the time, red tape and expense of dealing with yet another tier of government. The danger is that over-enthusiastic prosecutors may occasionally do as much harm as good, as in the now infamous methanol case.

The Government had planned to import methanol to make up for a shortage of locally-distilled alcohol, which fuels more than 25 per cent of Brazil's cars. Federal judges in Rio de Janeiro and Brasilia are hearing two pleas to ban the imports, one submitted by a prosecutor and another by an environmental group. The judge in Brasilia has allowed the imports, but the Rio judge has not. To add to the confusion, the federal prosecutor's office is simultaneously acting for the defence, on behalf of the Government, and for the prosecution, on behalf of society.

Meanwhile, fuel supplies are running dangerously low. Nobody knows what to make of the confusion, least of all the prosecutors.

Mild weather boosts US employment

By Peter Riddell, US Editor, in Washington

THE US labour market remained firm last month as unemployment was unchanged and employment rose again.

The overall unemployment rate stayed at 5.3 per cent, roughly where it has been since mid-1988, while non-farm employment increased by 275,000, partly owing to unusual weather influences.

There has been a marked slowdown in manufacturing activity in the US, especially in the car industry, during the last few months.

These figures suggest, however, that there is unlikely to be an early change in short-term interest rates because of next week's meeting of the policy-making Federal Open Market Committee.

Both the Bush Administration and the Federal Reserve Board believe a recession can be avoided, although Mr Alan Greenspan, the Fed chairman, says it will not be until this spring that the picture becomes clearer.

Mr Nicholas Brady, the US Treasury Secretary, yesterday admitted in testimony to Congress that his weekly meetings with Mr Greenspan "very often" involve differences in points of view.

The Administration, he noted, was biased towards economic growth which was greater than that of the Fed, adding that "differences ... are openly expressed."

Mr Brady indicated that the Bush Administration was generally satisfied with an inflation rate of about 4 per cent as long as it does not rise from that level.

Reducing the rate to less than 4 per cent is appropriate "as a broad goal," Mr Brady said, adding that it was necessary to balance growth considerations against efforts to reduce the inflation rate further.

"To drive down to zero, you'd have to put brakes on the economy."

Mr Wayne Angell, a Fed governor, said earlier in Switzerland that exchanges of views between the executive and the Fed were part of "the American style of discussion. There is nothing unacceptable about differing views concerning the speed of reaching price level stability." He talked of a four- to five-year path to zero inflation.

Commenting on the sharp rise in non-farm employment last month, Dr Janet Norwood, commissioner of the Bureau of Labour Statistics, warned that the figure may be over-stated.

In particular, construction employment rose by 105,000 (seasonally adjusted figures) in January, when the weather was mild throughout most of the US, following a 50,000 drop in the previous month, when the weather was unusually harsh. There have also been sharp fluctuations in employment in the retail trade.

By contrast, there was a large, 90,000 decline in motor manufacturing employment. This was due to temporary plant closings and many of the affected workers are back at work. The unemployment rate for this industry jumped to 20 per cent last month from 7 per cent in December.

Employment in service industries rose by 105,000 in January, of which nearly half came from the health sector.

New factory orders in December rose 1.9 per cent, mainly as due to big increases in orders for aircraft and parts, for tanks and in the ship building industry.

This more than offset a decline in motor vehicles and parts.

Orders for manufactured goods increased by 6.4 per cent during 1989.

Mexico calls for heavy investment in energy

By Alan Robinson in Mexico City

THE MEXICAN government yesterday invited private, foreign and domestic capital to invest heavily in the energy sector.

The Federal Electricity Commission will shortly call for bids on major thermal-electric turnkey projects at Tuxan, Lazaro Cardenas and Topolobampo. The Commission's director, Guillermo Guerrero Villalobos, also called on Mexican construction firms to fund the construction of electricity generating and distributing facilities.

He said the Commission requires investments totalling $18.5bn over the next five years. The Government will provide 10 per cent of that and the rest will be obtained from the CSE's own earnings, World Bank funding and private investment.

Meanwhile, sources at Petroleos Mexicanos, the state oil monopoly, said a new affiliate has been set up to sell petrochemicals at international prices in the domestic and world markets.

The new company, to be formally launched next week, will enjoy a relative autonomy, since Pemex has ceded its right to market basic and secondary petro-chemicals made by the state or the private sector.

Spokesmen said the company will charge international prices, even at home, to eliminate all subsidised production. They said founding of the affiliate is meant to encourage more private investment in the secondary petro-chemical sector.

The new company will be headed by the current Pemex assistant trade trade director, Raul Robles Segura. Pemex recently set up a similar company, Mexican Petroleum International, to sell Mexican crude oil.

Bush to review German issue

By Peter Riddell and Lionel Barber in Washington

PRESIDENT George Bush disclosed yesterday that he had ordered an urgent review by his National Security Council advisers of how to handle German reunification.

He said: "Events are moving fast, and it looks more and more like the German reunification question is moving towards the very front burner."

Senior US officials are increasingly concerned that reunification will happen without a proper framework to take account of wider East/West security interests.

A sign of increasing diplomatic activity is the hastily-arranged visit to Washington yesterday by Mr Hans-Dietrich Genscher, the West German Foreign Minister. He was meeting Mr James Baker, the US Secretary of State, who is going to Moscow at the end of next week.

Mr Genscher wants to establish an agreed US/German position in the light of the proposals by Mr Hans Modrow, the East German Prime Minister, for a neutral, unified German state.

Chancellor Helmut Kohl, along with other Western leaders, has ruled out a neutral state, but the West Germans would like to be able to offer some form of positive response to help stabilise the situation in East Germany.

The US wants to ensure that what is now seen in Washington as inevitable reunification takes place in as orderly way as possible. This is to reflect not only internal German discussions but also the interests of outside powers such as the Soviet Union, France and Britain.

Mr Douglas Hurd, the British Foreign Secretary, focused on this issue in his talks earlier this week in Washington with President Bush and Mr Baker. The British are worried about the danger of what they see as freefall and have been seeking to clarify the conditions under which a united Germany could remain a member of Nato.

The British want a firm statement from the US in next week's talks between Mr Baker and Soviet leaders that a neutral Germany is unacceptable.

Costa Ricans prepare for poll

By Tim Coone in San Jose

ABOUT 1.6m Costa Ricans will go to the polls tomorrow to choose a new president, 57 deputies to the Legislative Assembly and 81 municipal councils around the country. But there are unlikely to be any surprises.

Costa Rica's political system, one of the most stable and democratic in Latin America (more than 40 years without a military coup), is in fact dominated by two centre-of-the-road parties. The contest is between the National Liberation Party (PLN) and the Social Christian Unity Party (PUSC) whose presidential candidates, Dr Carlos Manuel Castillo (PLN) and Mr Rafael Angel Calderon (PUSC), have little to argue about.

Campaign funding, largely provided by the Government, is swallowed by the two main contenders leaving very little for the eight or so other small parties with more diverse political views. External funding is prohibited.

In effect, should the PUSC t ake control from the PLN, as opinion polls are suggesting, few changes are expected.

The structural adjustment plans at the heart of outgoing President Oscar Arias's economic policy over the past four years, will suffer no radical changes.

Mr Calderon has even hinted that should be win he is likely to keep on Dr Eduardo Lizano as the president of the central bank, a message to foreign creditors that there will be no sudden heaves on the economy's rudder. Similarly on foreign policy, both candidates are committed to the neutralist stance of President Arias, the winner of the 1988 Nobel Peace Prize, and to support the ongoing Central American peace efforts.

In effect the real challenge will come after the elections. The new President has to finalise negotiations on restructuring Costa Rica's $4.5bn (£2.7bn) foreign debt, and even more importantly has to rein in a burgeoning internal debt that threatens to run amok with government finances.

The solutions to both suggest that many of the glowing promises made on the campaign trail will simply be forgotten when the time comes to take decisions.

Steel production set to drop for first time in four years

By George Graham in Paris

STEEL production in the industrialised world is expected to decline this year for the first time since 1986, according to the Organisation for Economic Co-operation and Development (OECD).

The Paris-based organisation, which groups 24 countries in Europe, North America and the Far East, says that steel output last year rose by around 1 per cent in its member countries from 382.4m tonnes in 1988, with a slightly larger increase in Europe and the Far East offsetting a decline in the US and Scandinavia.

In 1990, however, demand for steel, which had already started to weaken last year in the US and Canada, is expected to decline by around 2.5 per cent in the OECD area. The OECD said demand was forecast to drop in the motor industry in North America and the EC, but to remain at around the same level in Japan.

Demand from the construction sector is expected to weaken. This would probably also dampen demand for consumer appliances, it said. Japan expects demand to remain firm in shipbuilding and non-residential construction.

In Europe, steel demand is expected to remain steady, but stocks have increased and are judged to be "normal to high".

Canada raises bank rate to stabilise C$

By Robert Gibbens in Montreal

THE Bank of Canada, partly to restore stability to the Canadian dollar, moved its bank rate up by 30 basis points to 12.59 per cent late on Thursday, the highest level since May 1988.

In mid-January, the central bank eased short-term money rates down about half a point as inflation appeared to have peaked late last year. But the foreign exchange market took this as a clear signal and in the next two weeks the Canadian dollar dropped three US cents.

Yesterday, Mr Michael Wilson, Finance Minister, said the market had over-reacted. He unveils his budget later this month and further moves to reduce the federal deficit of more than C$30bn are expected.

The Canadian prime lending rate has been 13.5 per cent since last March and the bank rate rise could increase some bank lending rates to consumers.

OVERSEAS NEWS

Soviet emigrants put daunting strains on Israel's economy

Their advent has become a preoccupation because of the consequences it could have for the Arab-Israeli issue, Hugh Carnegy writes

VICTOR Savitsky, his wife Kate and their daughters Lena, eight, and Sonia, 10 months, arrived in Israel from the Soviet Union with their 12 suitcases of belongings a few hours before the end of last year.

After completing lengthy immigration procedures at Ben-Gurion airport and armed with a government cash hand-out to see them through their first few days in the country, they moved on to a hotel in Jerusalem and the prospect of a new life in Israel.

They were exhausted – their journey from their former home in Moscow included a 17-hour transit wait at Budapest airport – but they were relieved.

"Not only the Jewish people, but people of all nationalities in Moscow and the other big cities want to emigrate," said Victor, a thermal engineer and technical translator, a few weeks later. "But they don't know how to do it. The Jews have their own way – a different way."

Their way is to come to Israel, where the country's Law of Return gives every Jew in the world the right to citizenship. Victor and his family are among a rapidly growing number of Soviet Jews taking advantage of this right to escape economic collapse and the fear of anti-semitism.

So fast has the tide swelled that within the space of little more than two months, their advent has become a preoccupying issue, not just because of the daunting challenge it poses for Israel's brittle economy, but also because of the profound consequences it may have for the whole Arab-Israeli issue.

The Savitskys were among 3,631 Soviet Jews who arrived in December, almost twice the figure in November and more than 14 times the number last January. Last month, the influx surged again, to 4,865. The flood began following a decision by the US last year to limit severely its previously liberal policy towards Soviet emigrants. Until then, the vast majority of Jews leaving the Soviet Union simply used their Israeli visas to get out of the country, and then head westwards. Now they turn to Israel.

Clearly, much depends on a continuation of the present combination of volatile conditions in the Soviet Union and comparatively liberal exit rules. But if this persists, the Government expects up to 100,000 Soviet arrivals this year and 250,000 over the next three years. With a total Jewish population in the Soviet Union estimated at around 2.5m, some officials talk of immigration eventually exceeding 750,000.

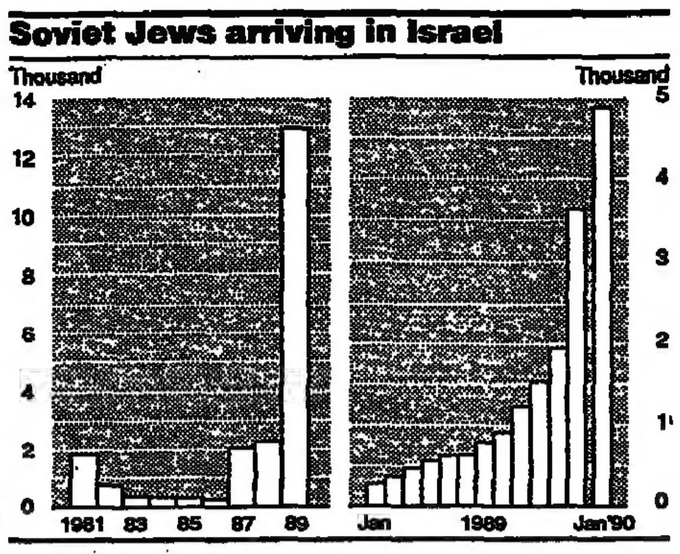
During the past fortnight, the issue has become a dominant regional concern as Palestinian leaders and Arab countries have expressed anxiety, sometimes in terms of near-panic, about the inflow. This was sparked by a typically triumphalist statement by Mr Yitzhak Shamir, the Israeli Prime Minister, who told supporters of his Likud Party that Soviet immigration was an additional reason not to relinquish the occupied territories captured in the 1967 Six-Day War.

The implication that Soviet Jews would boost the already controversial Jewish settlements in the West Bank and Gaza Strip – in fact the numbers going there are small, though more significant than Israeli officials admit – caused a paroxysm of rage from the Palestine Liberation Organisation, local Palestinians and a number of Arab leaders. They have complained bitterly to Moscow and Washington, both of which have publicly warned Israel not to settle Soviet Jews in the occupied lands.

Arab concerns go beyond the question of Jewish settlement in the territories. Their deeper worry is that a sudden surge in the Israeli population will shift the demographic balance against them, further undermining the already weak Palestinian hand in the current hesitant efforts to reach a settlement over the occupied territories. Not without cause did Mr Shamir refer to a mood of Arab defeatism in his comments on immigration.

However, the political storm has tended to obscure what for Israel may be a much tougher problem. Even at the lower end of the scale of expected arrivals, the economic impact on a country small physically and with a population of only 4.5m will be enormous, despite its ideological commitment to – and its long experience of – Aliyah, the "ascension" of Jews to Israel.

The immigrants are arriving at a time of high unemployment and weak output. The additional demands they will



inevitably put on government spending come just as faltering attempts are being made to shift the emphasis away from the state sector. This year alone, absorption costs may approach Shekels 12bn, more than three times the 1989 cost.

Mr Shimon Peres, the Finance Minister, has a difficult balancing act to perform, given that the Government already faces a significant budget deficit this year. He has publicly stated his reluctance to impose, in effect, an Aliyah tax. This would cut across recent efforts to reduce the high tax burden to help stimulate private sector growth. But the alternative of extra borrowing is not much more attractive given the already huge government debt.

Officials hope that the stimulus of the Olim (ascendants) will push up growth, which has been negligible for the past two years, allowing more room for extra revenue-raising. But another danger is that Aliyah will further fuel inflation, which reached 21 per cent in 1989. Immigration is certain to push up prices in the housing sector, where there will be a shortage of supply, and which is already one of the main inflationary engines.

Then there is the key question of how the newcomers will be absorbed into the labour market where unemployment, at 9 per cent, is at its highest level for 20 years.

A sobering fact is that until the recent turnaround, a serious concern was the continued annual population drain out of Israel of up to 20,000 yordim (descendants), mainly highly qualified professionals and youngsters emerging from military service. As recently as 1986, there was net emigration from Israel.

The long-term prognosis of Israeli officials and economists is far from gloomy, however. They point out that previous surges of Aliyah – the population more than doubled between 1949 and 1953 – always produced long-term growth. They are particularly encouraged by evidence that a large proportion of the new arrivals have top qualifications in areas such as medicine, science, technology and engineering. A previous influx of more than 100,000 Soviet Jews in the 1970s was successfully absorbed.

The test this time will be whether the newcomers can be absorbed without expanding the public sector, as was predominantly the case in the past, something that is vital if the move towards a more market-oriented and fiscally stable economy is to be sustained.

"The biggest dilemma is how to create the conditions for the private sector to absorb them," says Dr Meir Sokoller of the Bank of Israel's research department. As the economy undergoes that test, the political effects of the Soviet olim will unfold.

The belief on the Israeli right – and the fear of the Palestinians – is that the Soviet immigrants will constitute a vital element in the demographic equation, giving a huge boost to the current Jewish population of 3.7m, at present being outbred by the 800,000 Arabs living in Israel and Jerusalem and the 1.7m living in the West Bank and Gaza Strip.

This, the argument goes, will erode the insistence of the Labour party and the left that Israel cannot indefinitely maintain its control over the local Arab populations and should reach a settlement quickly.

The right is also encouraged by the tendency of previous Soviet immigrants to support the Likud and other rightist groups.

But most of the new arrivals, unlike their predecessors, are not committed Zionists so much as "economic migrants", to borrow a phrase, who may take a different view.

This week, Mr Natan Sharansky, the former "refusenik" who normally backs Mr Shamir, said Israeli ministers should take care to keep the issues of immigration and the peace process separate. "To make any connection between ... the absorption of Soviet Jews and the problem of Judea and Samaria (the West Bank) is definitely a mistake which only complicates ... and creates problems with Washington and Moscow," he said.

For the likes of Victor Savitsky, who originally wanted to go to the US and who confesses to having visited a synagogue only once in his life, the priority is to master the language and find a job.

Victor is now living in Gilo, a Jerusalem satellite built just inside the West Bank after the 1967 war. But he is not ready to commit himself politically. "I haven't decided yet about the political situation because I don't have enough information. In a few months I'll have my own opinion."

Israel is negotiating with several Eastern European airlines on stepping up the number of flights available for carrying a growing wave of Jewish emigrants from the Soviet Union to Israel, Hugh Carnegy reports from Jerusalem.

Jerusalem is anxious to speed up the flow of immigrants, currently arriving at the rate of about 5,000 a month, mostly via Budapest and Bucharest.

But it has been frustrated by a delay in implementation of an agreement with Aeroflot to start direct Moscow-Tel Aviv flights, possibly caused by Soviet and Arab concerns over the settlement of some immigrants in the occupied territories.

Israeli officials say the Hungarian, Czechoslovak, Romanian and Polish airlines have expressed willingness to help carry the potentially lucrative extra passengers by increasing their Moscow flights. But commercial, and political, agreement with Moscow has yet to be secured.

Anti-semitism is 'forcing the biggest exodus in 500 years'

THE biggest exodus of Jews in 500 years is being created by a resurgence of anti-semitism in the Soviet Union, according to the former leading dissident Mr Natan Sharansky, Christian Tyler writes.

He said that families were applying to leave the Soviet Union at the rate of 2,000 a day and that the queue of would-be emigrants could be as long as 1m.

Flights were booked up until March next year. There are an estimated 2.5m Jews in the Soviet Union.

Mr Sharansky, now living in Jerusalem, conveyed his fears personally to President Bush of the US last week during a tour to raise funds for resettlement of the emigrants.

Israel's most famous dissident, who spent nine years defying his KGB jailers, said in London this week that the resurgence of anti-semitism was occurring not only at the grass roots, where it is encouraged by the Russian nationalist movement, but also in intellectual circles. Here, he said, it took the form of debate around "the question to what extent the Jews can be blamed for all the years of Bolshevism".

Mr Sharansky claimed that Soviet citizens were confused and disillusioned by President Gorbachev's attempts at reform, were becoming aware of the truth about their "awful" history, and were finding in the Jews the scapegoat they needed.

The new exodus would put immense economic strain on Israel, he warned, dwarfing the problem faced by West Germany in absorbing the East German refugees. Nearly 5,000 Soviet Jews arrived in Israel last month alone.

The government is preparing for 100,000 this year and 250,000 over the next three years. Matters have been made worse by a less liberal US policy. Before last year, most Soviet Jews with exit visas for Israel used them to fly on to the US.

Although Westerners found it hard to believe, the new freedoms inside the Soviet Union made the position of the Jews worse, not better, he said. The rush for the door was the predictable result of the leadership's half measures. Soviet Jews were highly assimilated. Only anti-semitism made them conscious of their Jewishness and eager to leave.

Sharansky profile: Weekend FT VIII

Japan's surplus on current account falls to $56.97bn

By Robert Thomson in Tokyo

JAPAN'S current account surplus last year fell to $56.97bn (£35bn) from $79.63bn in 1988, with imports rising 16.8 per cent and exports increasing by a modest 3.8 per cent, as Japanese companies continued to expand their foreign production facilities.

Year-end capital flow figures indicated a surge in Japanese bond issues abroad and a sharp increase in Japanese purchases of foreign stocks, as the overall balance of payments figure last year showed a deficit of $33.28bn, compared to the 1988 deficit of $28.98bn.

The Ministry of Finance said that the current account surplus for the month of December was $3.8bn, down sharply from $9.3bn in the same month of 1988, while the trade surplus for December was $6.3bn, down from $11.02bn a year earlier.

Foreign net purchases of Japanese stocks in December were $7bn, up sharply from a negative figure of $0.4bn in November, as foreigners appeared to buy during the final surge of a long upward climb by Japanese stocks, which slumped early in January.

Japanese purchases of foreign equities in December were $3bn, up from $1.9bn in November, while purchases of foreign bonds were $5.5bn, down from $8.7bn in November.

The net invisibles deficit for December was $2.7bn, up from $0.6bn in November and $1.8bn a year earlier, as the deficit incurred by Japanese travelling abroad continued to rise and incoming interest and dividend payments were low for the month.

For all of last year, Japan's net purchases of foreign securities totalled $113.2bn, compared to $86.9bn in 1988, with purchases of stocks rising sharply from $2.99bn to $17.88bn, and bond purchases increasing from $85.8bn to $94bn.

The long-term capital account recorded a net outflow of $87.9bn, down from $130.9bn in 1988, a change partly explained by a surge in Japanese foreign bond issues, which totalled $75.7bn last year, compared to $35.1bn in 1988.

Foreigners' net purchases of Japanese stocks last year totalled $6.99bn, marginally up from the $6.81bn on 1988, while net bond purchases were $2.4bn, well above the negative figure of $21.6bn a year earlier.

Politicians fail TV 'true colours' test

Japanese watch in vain for a revealing shot, Stefan Wagstyl reports

IN A US presidential election, televised debates between the rivals are often the highlight of a campaign. Viewers watch in their millions hoping for a word, a gesture, a flash of temper which might reveal a candidate in his true colours.

In Japan, they might as well not bother. The leaders of the top five political parties yesterday singularly failed to distinguish themselves in the country's first televised multi-party election debate in 30 years.

For four hours, they discussed the issues which will figure in the general election to be held on February 18.

Ranging across international relations, tax, land policy and the collapse of communist rule in Eastern Europe, Japan's top politicians managed to deflect most of the questions put to them by a panel of journalists.

Worse, they missed opportunities to score points off each other, tending to repeat thoughts that they could all agree on.

Even Mr Tetsuro Fuwa, from the Japan Communist Party, which has not agreed with anyone for years, was guilty of this. "It seems like all of your talk is just your official manner," complained one participant from the Yomiuri Shimbun, a Japanese daily. "Be specific. Don't talk ambiguously."

Among the performers, Mr Toshiki Kaifu, the prime minister, did best, perhaps because he was well briefed or perhaps because he has had the chance over his past six months in office to practise a calm and collected television manner.

Not once did the opposition try to embarrass him by probing his biggest weakness – the fact that he is largely controlled by the power-brokers of the ruling Liberal Democratic Party.

Miss Takako Doi, head of the Japan Socialist Party, did particularly badly – much to the chagrin of party supporters who had been hoping for a boost to their fortunes.

Miss Doi managed to sound confused, unable even to launch a convincing attack about the LDP's involvement

Takako Doi: sounded confused

in the Recruit scandal. The opposition leaders were hampered by the fact that a coalition they have formed to defeat the LDP has yet to decide what it will do in the event of victory – except for abolishing a controversial consumption tax introduced last year by the LDP.

Perhaps Miss Doi simply had an off-day. She has often been praised for her ability to talk straight. However, perhaps the debate illustrates a deeper malaise in Japanese politics. The LDP has dominated the government for so long, that the opposition parties have rarely had much reason to define their policies.

The socialist and communist parties spent their energies on internal ideological arguments which were scarcely relevant to the reality of Japanese life. The LDP successfully built a consensus about a national commitment to economic advance. In this past two years, this consensus has been questioned as never before.

Having matched the US in income per head, Japanese have realised that they need new goals – including greater equality in the distribution of the benefits of being a rich country.

However, these concerns have yet to be translated into distinct and deeply-felt differences between the policies of the country's political parties.

On the evidence of yesterday's debate, it will be a long time before they do.

EC warns Tokyo on investment policy

By William Dullforce in Davos

JAPAN cannot continue with an investment policy, under which Japanese companies eagerly take over or merge with foreign enterprises, while European and US concerns have enormous difficulties even in establishing joint ventures in Japan, Mr Frans Andriessen, the European Community's External Affairs Commissioner, said yesterday.

In the longer term, the unilateral investment flow from Japanese companies could be more dangerous than the current trade imbalances resulting from their exporting successes. The situation had to be "clarified", Mr Andriessen said.

The Commissioner was speaking during a debate at the World Economic Forum, the annual businessmen's summit, on the idea that the 1990s would be characterised by investment wars.

His criticism was echoed by Mr Michael Farren, US Under-Secretary of Commerce, who said the stock of foreign investment in Japan had moved from 0.3 per cent of gross national product in 1980 to only 0.4 per cent in 1987; while investments in the US had advanced from 3 to 6 per cent of GNP over the same period.

In its trade and investment policies, Japan was still behaving like a developing country, allowing protected domestic industries to develop quality goods for export. The world trading system would be threatened, if the Japanese did not change their approach, Mr Farren said.

Mr Koji Watanabe, Deputy Foreign Minister, said foreign investors' difficulties stemmed not from official policy or administrative hindrances but from high real estate and stock market prices and the absence of a merger and acquisition tradition in Japanese business.

For a Japanese entrepreneur the sale of his business meant failure. The entry cost was high but West German car exporters had demonstrated that the yield on the investment could be big. The Japanese savings ratio was falling fast, Japanese companies were becoming more American and European in outlook and foreign investment in Japan would multiply.

Asked how the EC could reconcile French and Italian restrictions on car imports with its coming single market, Mr Andriessen said that within weeks the EC Commission would produce a plan for liberalising the car market. But it would allow time for completing the adjustment process.

Battle 'rages near Angola rebel-held town'

By Peter Wise in Lisbon

MILITARY sources in the Angolan capital, Luanda, said yesterday that government troops had captured the strategic town of Mavinga, the main defensive position for the Unita rebel movement's headquarters at Jamba in southern Angola.

But a Unita spokesman in Lisbon said guerrillas were holding off the government advance in heavy fighting 15km outside the town. Both sides acknowledged heavy casualties in 10 days of intense combat.

Western diplomats in Portugal said there were clear indications a major battle was being fought close to Mavinga.

But they said there was no confirmation the rebel-held town had been captured.

The Angolan military sources, contacted from Lisbon, said Mavinga had fallen to government soldiers on Thursday after two army columns crossed the Lomba River, 19km to the north.

A Unita officer said 600 government soldiers, from a force of 9,000, had crossed the river on Wednesday. But he claimed only 300 remained operational.

In a radio broadcast from Jamba yesterday, Mr Jonas Savimbi, the Unita leader, warned he would intensify the war across the country and render the military situation "uncontrollable" if government forces occupied Mavinga.

Mr Savimbi broke off a European tour on Wednesday to co-ordinate resistance to the offensive.

Diplomats said the battle for Mavinga, involving some of the heaviest fighting in Angola's 15-year civil war, was likely to set back the Angolan peace process.

Efforts to mediate the conflict by President Mobuto Sese Seko of Zaire have been at an impasse since a short-lived ceasefire collapsed last June.

Call to expel Iran from UN

WESTERN European parliamentarians called yesterday for Iran to be expelled from the UN, saying a government that had executed 90,000 people was not worthy to hold a seat, Reuter reports from Strasbourg.

Some 114 of the 177 members of the Council of Europe's parliamentary assembly in Strasbourg signed a declaration claiming thousands of Iranians faced execution.

An accompanying statement issued by the Liberal, Democratic and Reformers group said 90,000 had been executed in Iran since June 1981, with 150,000 jailed for political reasons.

Aoun's forces fighting for last Phalange strongholds in E Beirut

By Lara Marlowe in Beirut

GENERAL Michel Aoun's rebel forces were fighting last night to take the Christian Phalange militia's last two strongholds in east Beirut.

However, it appeared that Gen Aoun had underestimated the difficulty of suppressing the militia, is unlikely to achieve his goal, and could suffer a political, if not a military defeat.

Shelling resumed yesterday morning after an overnight lull which both sides used to reinforce their positions. Using heavy mortar fire for cover, Gen Aoun's men later dispatched tank columns against the militia's seafront headquarters at Qarantina and the hilly residential district of Ashrafieh where the Phalange have their main ammunition depot.

Both sides issued conflicting claims about the fighting, but Gen Aoun's troops appear to have suffered more than expected. The militia-controlled Lebanese Broadcasting Corporation TV station showed footage of captured soldiers, tanks and armour on Thursday night.

The fierce battles continued yesterday despite calls from both sides for a ceasefire. By late yesterday, the fighting was reported to have cost more than 100 lives with 450 people wounded. Most of the casualties were Christian Maronite civilians. The dead included Col Paul Maalouf, the younger brother of Major General Edgard Maalouf, a member of Gen Aoun's three-man military junta.

In west Beirut, President Elias Hrawi raised the possibility of armed intervention by troops under his orders. "We are ready to intervene. . . militarily. I am waiting for an appeal from (the Phalangist leader) Geagea or from his people. If it's not tonight, it will be tomorrow," President Hrawi was quoted as telling French radio.

Gen Aoun and Mr Samir Geagea have in the past overcome their differences to fight what they consider to be their common Syrian enemy. It would be hard for Mr Geagea to justify a request forintervention that involved Syrian troops. A Phalange-Syrian-Lebanese army initiative against Gen Aoun, although still unlikely, could mean defeat for the general.

Australia, NZ step up driftnet war

By Chris Sherwell in Sydney

AUSTRALIA and New Zealand are to intensify their military surveillance of the Tasman Sea and South Pacific Ocean in order to monitor fishing ships which use 60km-long driftnets known as "the wall of death".

The action was announced yesterday when Mr Bob Hawke, the Australian Prime Minister, signed the international Convention for the Prohibition of Fishing with Long Driftnets in the South Pacific.

Mr Hawke is on a visit to New Zealand, where a conference of South Pacific nations last November adopted the convention following a conference in Wellington.

The convention, which New Zealand has already signed, aims to eliminate driftnet fishing.

Mr Hawke and Mr Geoffrey Palmer, his New Zealand counterpart, said in a joint statement that their governments would develop a programme of air-force surveillance over the Tasman Sea, intensify surveillance of driftnet fishing in the high seas of the South Pacific, and target driftnet activities in their existing surveillance of South Pacific economic zones.

The biggest users of the driftnet technique in the past have been Japan, South Korea and Taiwan. Last year, South Korea announced it would withdraw from the region, and Japan said it would reduce its number of vessels.

The 15-metre-wide nylon nets are suspended vertically from floats on the ocean surface and are designed to snare fish by their gills.

But they trap almost all sea life in their path, endangering marine mammals, sea birds and fish not directly sought.

Malaysia plantation workers agree to end national strike

ABOUT 65,000 Malaysian plantation workers agreed yesterday to end a national strike after Acting Labour Minister Lee Kim Sai referred the dispute to the Industrial Court and ordered them to return to work, Reuter reports from Kuala Lumpur.

"We will comply with the law and stop the strike," said Mr A. Navamukundan, executive secretary of the National Union of Plantation Workers (NUPW). "This is a stab in the back."

Under Malaysian law, union leaders can be arrested if they continue with a strike after the dispute has been referred to the Industrial Court.

"NUPW should ensure that all workers return to work tomorrow," Mr Lee said.

He added that he had brought the dispute to the court in the interest of the national economy and workers' welfare.

He said the three-day strike by the workers, who were pressing for a monthly wage scheme, had hurt the economy because work had stopped on many rubber and oil-palm estates. Malaysia is the world's top producer of these commodities.

NUPW members represent about a third of Malaysia's 200,000 workers on rubber, oil-palm, cocoa and coconut plantations.

Production of the four commodities accounts for 16 per cent of the country's gross domestic product.

Analysts said it was too early to estimate damage caused by the strike, but substantial stocks of rubber and palm oil were likely to have prevented any interruption in supply.

The dispute centres on the workers' 10-year-old demand for a monthly wage scale.

Workers are now paid a daily wage averaging $4.40, which union leaders say makes their incomes vulnerable to weather and fluctuating prices.

Mr Navamukundan declared that union leaders, who had hoped to negotiate a settlement, were shocked by Mr Lee's action.

Kashmir hit by new outbreaks of violence

By Our Srinagar Correspondent

AT LEAST three people were killed and nine injured in renewed violence in India's north-west state of Kashmir yesterday.

Security forces opened fire in the town of Sopore to quell crowds chanting anti-Indian slogans. The crowds had taken to the streets to protest at re-imposition of a curfew.

In Srinagar, the curfew, which had been temporarily lifted, was reimposed yesterday to prevent crowds gathering after mid-day prayer at the mosques. There were demonstrations in several parts of the old city.

In Srinagar, three gunmen raided the house of a Hindu suspected of being a police informer, and killed him.

Over the past 10 days, no papers have appeared in Srinagar because of restrictions on the local press and because of the continuing curfew. Normally, 32 publications appear daily in the city.

MPs question timing and costs of Westland projects

By David White, Defence Correspondent

PROSPECTS FOR both the main projects at Westland, the Yeovil-based helicopter builder, were called into question yesterday by the cross-party Commons Defence Committee.

The committee's report is the first dedicated to helicopters since the 1986 political crisis over the future of Westland, the UK's only manufacturer.

The committee, chaired by Mr Michael Mates, Conservative MP for Hampshire East, expressed concern about developments on the EH101, the naval and multi-use helicopter on which Westland is pinning most of its hopes, and the proposed *four-nation* Light Attack Helicopter programme. Both involve collaboration with Agusta of Italy, with CASA of Spain and Fokker of the Netherlands.

The committee warned that if costs for the EH101 looked like rising much further "it could prompt the Government to question the viability of the entire programme."

It described as disturbing a one-third increase to £2bn in the estimated initial programme cost since 1986. This covers development and production of the first 50 of the Royal Navy's anti-submarine version of the EH101, known as the Merlin. No firm production orders have been placed.

The increase was largely due to changed specifications by the Ministry of Defence. The report found *that* the extra cost, expected to be well over £100m, seemed "excessive as well as disproportionate to the rest of the development cost."

It said the Merlin was more than a year behind schedule, conflicting with Westland's *claims that the slippage has* been kept to between six and nine months.


Michael Mates: questions about viability of programme

The committee said it was "not hopeful" about improvements in the management efficiency of EH Industries, the Westland-Agusta joint venture developing the helicopter. Although progress had been made in resolving technical problems, it warned that the programme's success was "far from assured."

The committee also raised doubts about the need for a new helicopter to meet the Army's anti-tank requirement. Prospects did "not look good" for the Light Attack Helicopter project being completed without further difficulties and *delay. The programme*, based on Agusta's A-129, is now in a cost-definition phase.

Britain should reconsider its participation if there were doubts about it meeting the Army's requirements cost-effectively or if differences resurfaced between the four partner countries, it said.

"It would be wrong for the Government to seek to sustain the A-129 LAH programme solely to protect the principle *of international procurement* collaboration."

An "obvious option," the committee said, was the heavier McDonnell-Douglas AH64 Apache, favoured by senior Army officers. The US manufacturer proposes Westland build it under licence.

Man is held in probe on computer blackmail

By Alan Cane

FEDERAL Bureau of Investigation agents have arrested a 39-year-old man in the US in connection with his alleged involvement in an ambitious attempt to blackmail thousands of personal computer users throughout the world.

Dr Joseph Popp of Willowick, *Ohio*, was described as a medical computer consultant. He was arrested in Cleveland, Ohio, on warrants granted by Bow Street magistrates and a local court.

The FBI had been working closely with New Scotland Yard's Computer Crime Unit which has been investigating an attempt to blackmail up to 26,000 personal computer users through bogus computer diskettes posted in London. Dr Popp is being held pending an extradition application by the UK. He is likely to be charged with demanding money with menaces.

The December blackmail attempt is thought to be the most ambitious computer crime so far. City companies, businesses and universities in the UK and abroad received a computer diskette through the post from a company called PC Cyborg Corporation containing a program to assess the user's risk of contracting the AIDS virus.

However, PC Cyborg Corporation did not exist. The diskette contained information about Aids and a program known as a "Trojan Horse" designed to go into action after the computer had been used about 100 times. Recipi*ents of the* diskette were warned their computers would stop functioning unless they paid licence fees of $189-$378 (£112-£225) to PC Cyborg Corporation care of a box number in Panama.

Britain still has no laws designed to deal with interference to computer systems. Mr Michael Colvin, Conservative MP for Romsey and Waterside, has introduced a private member's bill prescribing heavy fines and jail sentences for "computer hacking."

It is to have its second reading in the House of Commons next Friday.

British Island Airways debts top £10m

By David Churchill, Leisure Industries Correspondent

BRITISH ISLAND AIRWAYS, the charter holiday airline which went into receivership on Thursday, had debts of more than £10m, the joint receivers revealed yesterday.

Mr Christopher Morris and Mr Nigel Atkinson, partners in the Touche Ross accountancy firm and appointed as receivers, were yesterday trying to ensure that holidaymakers booked with BIA were not left stranded by the airline's collapse.

Confusion about the airline's liabilities to passengers led to angry scenes at Gatwick airport yesterday, when BIA tickets were not honoured by other airlines and a small number of passengers were unable to fly to Malta.

Those passengers held scheduled tickets with BIA which were not covered by any bonding arrangements – they became creditors of the airline.

However, other passengers booked with Island Sun, BIA's tour operating subsidiary, will be liable to full refunds under the bonding scheme arranged by the Association of British Travel Agents. It is understood relatively few holidaymakers were booked with Island Sun.

The holidaymakers most affected by BIA's collapse will *be those who had booked* through other tour operators, which will now have to find alternative charter flights. About 3,000 holidaymakers due to fly with BIA over the next few months come into this category and it is understood that there will be few problems in finding flights.

Tour operators and other airlines were making arrangements yesterday to fly home about 300 holidaymakers booked with BIA.

The airline's collapse reflects the sharp downturn in package holiday bookings this year for both winter and summer short-haul holiday destinations. The big charter airlines, such as Britannia (part of Thomson Travel) and Air *Europe (Intasun), have been* able to absorb the downturn in traffic without having to trim their fleets. Some aircraft, however, have been leased out in the short term.

BIA did not have the support of a large tour company to fill its seats and had a poor reputation in the travel trade for the quality of its services. Mr Michael East, an independent travel consultant with Eastcastle Management, said yesterday: "The major charter carriers have spent heavily to upgrade their aircraft and passengers were looking for better service than BIA was giving."

BIA employs about 500 people and operates 10 aircraft which are leased, including BAC 1-11s and McDonnell Douglas MD-83s.

- The slump in holiday bookings this year yesterday prompted ABTA to appoint Scott Gold Blyth, a firm of specialist public relations consultants, to help boost sales.

Enterprise zones may face high rates

By Richard Evans

MANY COMPANIES based in enterprise zones like London's docklands will face big rate demands when the 10-year incentive period to attract businesses ends.

The companies will have to pay the full amount of the uniform business rate as soon as the enterprise zone designation expires, and will not benefit from the Government's five-year transition period which will dilute the impact of the biggest increases elsewhere.

The disclosure is another illustration that the full implications of the uniform business rate, which succeeds non-domestic rates on April 1, are not widely appreciated because of a lack of publicity.

The issue was highlighted yesterday at a conference on the rating system by Mr Martin Edwards, a partner of Rowe & Maw, the City solicitors.

Mr Edwards said enterprise zone properties could not satisfy both the conditions required to benefit from phasing. The first was that the property must have been shown in the valuation list based on the 1967 Local Government Act. The second was that the property must be shown in the local non-domestic rating list compiled under the 1988 Act. But as enterprise zone properties were exempt from non-domestic rates, they would not be on the list.

"Existing occupiers of properties in the Isle of Dogs [in London's Docklands], for example, will continue to benefit *from rates exemption* until that enterprise zone expires in April 1992 but will then lose out on all three years of phasing," said Mr Edwards.

He added that another aspect of the legislation with potentially serious implications was the absence of regulations governing the appeal procedures for businesses. Although the 1988 Act provided that such a procedure would be established, the regulations had yet to appear.

"If new regulations are not with us by March 31 there will be no way of appealing against an entry in the valuation list unless and until regulations are made," Mr Edwards said.

He predicted that substantial changes to the appeal mechanism were likely, including limitations on the right to appeal. It had been suggested, for example, that the Government intended to limit the *right to make an appeal* proposal to those with a direct interest in the property – owners and occupiers.

Another important change was that proposals to alter the list can only be made within six months of the list coming into force on April 1.

BA will create 450 jobs in Glasgow

By James Buxton, Scottish Correspondent

BRITISH AIRWAYS is to create 450 jobs in Glasgow over the next few years by expanding its telephone sales centre and building a regional headquarters.

The airline will close its present Glasgow offices and *spend £18m on leasing and* equipping 50,000 sq ft of space in a new block in the city centre. *The number of telephone* sales staff will increase from 100 to 390 by spring 1991 and to 550 by 1992.

BA says the expansion in Glasgow is to meet rising business rather than a matter of moving jobs from London. When complete, the Glasgow sales centre, together with others in Manchester and Belfast, *will handle half* BA's reservations traffic in the UK, with the rest dealt with in London.

The move by BA is a success for Glasgow in attracting business from south-east England. The airline was attracted by the ready availability of skilled or easily trainable staff in the city.

Labour seeks to stress links with industry

By Philip Stephens, Political Editor

THE LABOUR Party will seek *to reinforce the impression* that last year's policy review marked a sharp radical shift in its economic strategy next week with the launch of a programme to strengthen its links with industry.

The programme, called Industry 2000, will be designed to emphasise that a future Labour government would seek a constructive partnership with industry rather than adopt a needlessly interventionist approach.

The programme will also seek to capitalise on what the Labour leadership sees as growing disenchantment with the Government's policy of high interest rates and its refusal to set a firm date for full British membership of the European Monetary System.

Labour will focus initially on its plans for promoting training and technology, supporting small businesses and easing the pressures for "short-termism" in industry by tightening takeover regulations.

The programme's launch, to be followed by meetings around the country between Labour spokesmen and business leaders, will not be any significant departure from the strategy of the policy review.

That strategy aimed to dispel the view that a future Labour government's chief preoccupation would be with state ownership. Instead, it proposed a series of national and regional investment institutions to support rather that direct areas of industrial development.

Tory call on Wallace files loss

By Jimmy Burns

A TORY backbencher yesterday called for an investigation into whether files relating to the Colin Wallace affair were systematically removed by the security forces.

The call came against the background of demands, mainly from Labour and Unionist politicians, for a wide-ranging inquiry into Mr Wallace's allegations that the security services were involved in attempts to smear leading politicians of all parties in the 1970s. The demands have been rejected by the Government.

Speaking on the BBC Today programme, Mr Michael Marshall, MP for the Arundel constituency where Mr Wallace, the former Army press officer, lives, said seven files had disappeared over six years.

Mr Marshall, a former Under-Secretary of State for Industry and member of the *Commons defence committee*, claimed that disappearing files, including one removed from Parliament, seemed to have been a "pretty regular occurrence" up to 1986.

Mr Marshall said: "When documents I know, because *they have been passed through* me from Colin Wallace, have gone missing and there are other documents internally which seem to have gone missing, one does begin to wonder whether there is a systematic problem here rather than series of isolated incidents."

In a separate development, it has emerged this week that a personal file held on Mr Wallace by his trade union – the Institution of Professional Civil Servants (recently renamed Institution of Professionals, *Managers, and Specialists*) – which may have contained details on the secret hearing leading to his dismissal, has also gone missing.


David Calcutt: heading inquiry into appeal by Colin Wallace

Union officials said that the file had been removed apparently inadvertently along with an *"enormous amount of other* documents" when the IPCS moved central offices in 1983.

The file is believed to have contained correspondence relating to an appeals hearing of the Civil Service Board in October 1975 which upheld the Ministry of Defence's decision to dismiss Mr Wallace for leaking a restricted document to a journalist without permission. The Government this week announced that it was setting up an inquiry into Mr Wallace's appeal, headed by Mr David Calcutt, QC, chairman of the Takeover Panel.

Mr Cliff Crook, an official of the IPCS, said he had agreed to present the case on behalf of Mr Wallace in 1975, after hearing the "most extraordinary story anybody has ever told me."

Mr Crook said: "I recognised him (Wallace) as someone who needed some help because he didn't know where to turn to. He was almost on the run."

However, the union had found it difficult to press its case after a key witness for the Ministry of Defence failed to appear at the hearing.

Mr Crook said that once the board had confirmed Mr Wallace's dismissal "my advice [to *him*] was to emigrate to Canada or Australia perhaps, because he'd have not just the IRA looking for him but other people as well."

In 1986 an inquiry headed by Mr Calcutt into another intelligence scandal concluded that *eight servicemen accused of* spying while working at a top secret signals station in Cyprus had been unlawfully held in custody and subjected to pressure.

His current responsibilities include that of Independent Assessor of potential compensation claims in the case of the Guildford Four.

Sinn Fein conference haunted by 'mistakes'

By Kieran Cooke in Dublin

SINN FEIN, the political wing of the IRA, holds its annual conference in Dublin this weekend amid growing concern about the effect a number of IRA "mistakes" is having on the movement's popular support.

Last weekend Charles Love, 16, a Roman Catholic, was killed by an IRA bomb during a march in Londonderry commemorating the army's "Bloody Sunday" shooting of 13 civilians in the city in 1972. The IRA described Mr Love's death as "a freak accident."

For the first time the Sinn Fein conference will debate a report by the party leadership which says part of the reason for a decline in electoral support is due to "IRA operations that went wrong."

In local elections in Northern *Ireland in May Sinn Fein's* share of the vote dropped slightly to 11 per cent. Although Sinn Fein sees itself as an all-Ireland movement, its activities and support base are overwhelming within Northern Ireland.

In a general election in the Republic last June, it once again *failed* to win a seat in the Irish Parliament and its share of the total vote fell from 1.8 per cent to 1.2 per cent.

But there is unlikely to be any significant criticism of the IRA and its activities this weekend. Sinn Fein has always taken the view that IRA "volunteers" are the only people qualified to criticise their own actions, as they are the ones fighting and taking risks.

The highlight of the weekend conference will be a speech today by Mr Gerry Adams, MP for West Belfast and president of *Sinn Fein*. The conference will debate a motion for a rotation of the party leadership, but it is thought unlikely that Mr Adams will be forced to step down.

The conference takes place in a building just behind the Lord Mayor's official residence in central Dublin. Previous conferences have included a report by the IRA's Army Council on the course of "the struggle," an event from which the media is excluded.

While the IRA might express regret at a number of recent bungled operations, there is no sign that it intends to limit its activities. The security forces are reported to have had considerable success in recent months in countering some of the more sophisticated IRA bombing methods. This has forced the IRA to resort to cruder devices which have often led to the deaths of civilians or of "volunteers" themselves.

NEWS IN BRIEF

Clothing group can continue to trade

RESPONSE GROUP, the clothing company which went into receivership earlier this week, has secured enough capital to make sure its businesses can carry on trading to be sold as going concerns.

Ernst & Young, the accountancy group which was called in as receiver on Monday, is trying to find buyers for all the Response businesses. Response employs 4,000 people in the UK and the Irish Republic.

Lawson attacked

THE appointment of Mr Nigel Lawson, the former Chancellor as non-executive director of Barclays Bank and Barclays plc at a salary of about £100,000 was attacked by opposition MPs yesterday.

Mr Paddy Ashdown, leader of the Liberal Democrats, said the lack of comment about Mr Lawson's new job just weeks after his resignation from the Cabinet was "a sign of how low our public life has sunk."

A Commons motion condemning his move has been tabled by seven Labour MPs. The motion says the House is "appalled" by Mr Lawson's "moonlighting when in receipt of a full parliamentary salary," and contrasts his position with that of ambulance crews.

VAT appeal

A MAN who set up off-the-shelf companies to obtain a £15m Valued Added Tax pay-out was cleared of fraud by three Appeal Court judges yesterday.

They ruled there had been a material irregularity during the trial of Mr Stephen Howard, a Nottingham accounts clerk, who had claimed he had only been trying to expose a loophole in the VAT legislation.

Mr Howard's conviction in June 1988, of fraudulently obtaining a VAT payment, for which he had been given a two year conditional discharge, was quashed. His appeal was not opposed by the Crown.

UK-Soviet thaw

RELATIONS between the Soviet Union and the UK have taken a step forward with an agreement on levels of both diplomatic and commercial representation, the Foreign Office said yesterday.

Each country limits the number of representatives from the other to 205. Both sides are committed to working towards a state of relations where restrictions are no longer necessary, the Foreign Office said yesterday.

Sharelink apology

SHARELINK, the execution-only dealing service which is 70 per cent-owned by British Telecom, has written to apologise to its 100,000 clients over extensive delays in handling deals in water shares.

It has also apologised to clients over an explanation they had been given of the effects of the abolition of VAT on stockbrokers' commissions at the start of the year. The Securities Association, the industry's regulatory body, and several clients had claimed this was misleading.

People who have lost money because of he delay would be able to claim compensation, though each case would be considered on its merits.

Reserves up $80m

THE UNDERLYING level of Britain's reserves of foreign currencies and gold rose by $80m last month, the Treasury said yesterday.

The financial markets had expected a small fall but the news of a small rise caused little surprise. The pound was been relatively strong in January and the authorities had little need to support it.

At the end of January the UK's total reserves stood at $38.4bn compared with $38.6bn at the end of December.

UK NEWS

GEC delays paying its suppliers, says MP

By Ivor Owen

COMPANIES IN the GEC group were accused yesterday of delaying settlement of accounts with suppliers for as long as seven months. The accusation came in the Commons from Mr Michael Mates, a senior Conservative backbencher.

Delaying tactics encouraged by the Government followed a 71-minute speech by Mr Tim Eggar, Minister for Small Businesses, and prevented the Interest on Debts Bill from securing a second reading.

Mr Mates, MP for Hampshire East, was chief sponsor of the bill backed by the Institute of Directors and other bodies.

He said it would deal with the "scandal" of late payment of debts by leading companies and government departments which caused difficulty for many small businesses.

The bill sought to make large companies subject to a statutory requirement to pay 15 per cent interest on debts not paid by 28 days after the agreed contract date. It now has virtually no chance of becoming law.

Mr Eggar said the bill conflicted with the Government's deregulation philosophy. If it became law it would have only a "marginal effect."

He urged GEC and other large companies to look at their payment practices and consider whether "in all conscience" they were acting in a way that was fair to their suppliers and in their own interests.

The minister underlined the practical difficulties which small businesses would encounter – particularly in relationships with large customers – if they sought to take advantage of the bill.

Mr Mates said he had received hundreds of letters from small businesses which welcomed the bill.

The letters included many complaints about members of the GEC group and its "notoriety" for not settling debts on time. He also quoted a letter from Rolls-Royce telling suppliers at the end of last year that because it had been affected by two big industrial disputes it intended to delay payments for eight weeks.

Mr Mates said complaints about government departments included the Ministry of Defence and Ministry of Agriculture.

Defending the record of government departments, Mr Eggar said there was very little firm evidence that they were bad payers. "It is our firm policy that all payments should be made on time."

Mr Eggar acknowledged that there had been difficulties with the National Health Service and said regional health authorities had been instructed to reduce unacceptable delays.

Tantalising television window out of a lifestyle of poverty

Alan Pike looks at the 'grey, constrained' life of the poor who have to survive on tea and toast

THE DIFFERENCE between modern and Victorian poverty, Sir David Steel, the former Liberal leader said this week, is that today's poor can see visions of the other society night after night on their television screens.

True. But can people who have colour television sets be said to be living in poverty?

It is far from a frivolous question. The frequently heated argument about the extent of poverty in Britain, revived this week by a Commons debate and the publication of a Church of England report on life in deprived urban areas, is conditioned by the answer.

Theatre-goers in central London at night cannot escape the sight of people, many young, sleeping rough on pavements. Their numbers seem to be increasing. But is this poverty, or some more complex set of problems involving the individuals concerned?

The answer to this question is less central because most poverty in Britain, however defined, is a much more private experience than the sort which is encountered on the pavements. It occurs in places where ordinary people are trying to keep ordinary homes going, usually with the aid of state benefits.

Most of these people have television sets and refrigerators, many own a car. But, say critics of the Government's social policies, they are cast in a lifestyle of poverty. They are an underclass.

If this lifestyle is to be labelled poverty, definitions matter, but they are more open to dispute than most other social issues.

Mr John Moore, then Social Security Secretary, declared last year that it was "utterly false" to suggest that many British people were in poverty. Soon afterwards, Birmingham City Council produced a report which concluded that 37 per cent of the population of England's second city were on or below the poverty line. The distance between conflicting schools of thought is breathtaking.

Estimates such as the Birmingham one cast poverty in terms of those whose income is at the qualifying level for Department of Social Security income support, which has never been recognised by governments as an official poverty line, but has long been treated as such by many academics and poverty pressure groups. An informal practice has also grown of regarding people whose incomes are between 100 and 140 per cent of the income support level as being on the margins of poverty.

Opponents reject this approach, saying it has the effect of increasing "poverty" whenever benefits are raised or more people are persuaded to apply for aid.

But, much as those such as Mr Moore disapprove, poverty is increasingly presented in relative terms and blends unavoidably with the issue of equality. Here the evidence is somewhat firmer - during the 1980s the proportion of final income in the hands of the poorest and richest sections of society began shifting to the advantage of the wealthier groups.

Poverty is extensively researched. Reports repeatedly expose the problems of people on benefit levels, describing a grey, constrained way of life. That is the heart of what pressure groups mean by relative poverty – not only a lack of money, but a consequent powerlessness and inability to share in taken-for-granted aspects of everyday life.

Ms Ruth Cohen is conducting a Nuffield Foundation-funded study of 45 families on income support for the charity Family Service Units. The first results have yet to be analysed, but she says: "The research gives impressions of people, particularly single mothers, who live on tea and toast some days so that their children get enough to eat. Impressions of people with problems meeting even small school expenses for their children."

Since poverty is frequently a consequence of being unable to work it strikes at particular groups, the long-term unemployed, the elderly, single parents, the disabled and ethnic minorities.

A study this week by the National Council for One Parent Families found that 85 per cent of mothers surveyed lived on income support, receiving from all sources between £58 and £83 per week to cover all expenses except rent.

An Office of Population Censuses and Surveys study of disability – the most extensive ever conducted – has found that only 31 per cent of disabled adults of working age were in employment compared with 69 per cent of the general population. State benefits were the main source of income for 75 per cent of disabled adults in private households.

Without agreed definitions and more statistical information, part of the answer to the question of whether real poverty in Britain is increasing has to depend on impressions.

The Rev Charles Razzall, link officer in Manchester for the team producing this week's church report, says more people are calling at vicarages for urgent help with essential items such as clothes.

"Needy people have a whole matrix of problems arising from a lifestyle of poverty which affects them on a deep personal level. The single parent living in poor quality housing, without the life skills and experience which makes it easy to deal with officialdom, faces quite a range of problems," he said.

The Anglican Diocese of Southwark is shown in the Church of England report to have more of its population – 48 per cent – living in urban priority areas than any other in England. The Ven Douglas Bartles-Smith, Archdeacon of Southwark, and other local clergy wrote recently to Mr Tony Newton, Social Security Secretary, saying that the Social Fund, part of the Government's 1988 social security changes, was making life for some poor people still more difficult.

Anxiety about the workings of the fund unites almost all organisations concerned about poverty. Until the 1988 changes, the needy had one last rope to clutch at beneath the main social security safety net – one-off grants to claimants who had to meet urgent needs like a new cooker or bed. This system has been replaced by a cash-limited one, based mainly on repayable loans rather than grants.

Advice workers say many people are reluctant to take out Social Fund loans because of worries about the repayments. A study last month by the National Association of Citizens Advice Bureaux showed that of 550 clients who did make claims, 55 per cent were refused help – on grounds which included being too poor to repay the loan.

Poverty, stresses the church report, is multi-dimensional and not simply determined by income levels. "The poor have shorter lives, worse health, poorer education, are more likely to be unemployed, have lower wages, poorer housing and feel more sharply the decline in public services."

The report quotes from Matthew Arnold's Victorian poem East London:

"Twas August and the fierce sun overhead
Smote on the squalid slums of Bethnal Green
And the pale weaver, through his window seen
In Spitalfields, looked thrice dispirited."

The living conditions of the poor have changed beyond description in the 100 years since Arnold wrote, but Spitalfields remains one of the most deprived local authority wards in Britain. A report by Tower Hamlets Association for Racial Equality describes Bangladeshi families there sharing outside toilets in some of the worst housing in the country.

Death rates of middle-aged men in deprived inner city boroughs such as Tower Hamlets are approximately double those of the affluent outer parts of London. Although the links between wealth and health are complex, there is substantial evidence that for thousands the ultimate penalty of poverty is premature death.

Jobs are for many an escape route from poverty, and ministers point out that deprived areas have shared in the overall reduction in unemployment. But many working-age poor people face disadvantages when it comes to seeking work – the provision of good, flexible childcare would arguably have a far greater effect on poverty among single parents than any improvement in social security benefits.

Groups trying to make poverty a mainstream issue face the same hurdle as prison reformers: it is outside the probable experience of most people. The poor may see visions of "the other society" on television every night, but the same is not true in reverse. Most members of the more affluent "other society" rarely have cause to visit deprived inner-city areas. It may be a statistical exaggeration to say that 37 per cent of Birmingham's population is in poverty. But if it were true, would the other 63 per cent know?

Alan Harper

Two faces of poverty: a couple in their flat in Wapping, East London (above), without hot water for six weeks, and (below) down and out in London's Waterloo

DTI will activate more Companies Act powers

By Alison Smith

THE GOVERNMENT plans to bring more provisions of the Companies Act 1989 into effect by May.

Mr John Redwood, Under-Secretary for Trade and Industry, said yesterday that he had arranged to complete by April 1 implementation of those parts of the act relating to mergers and investigations by the DTI, and its power to obtain information. Draft regulations under the act allowing listed companies to issue summarised financial statements to their shareholders have been issued to interested organisations.

An order is expected later this month to activate other provisions of the act.

Government cuts estimate of future deaths from AIDS

By Peter Marsh

OFFICIAL estimates for the numbers of people likely to die of AIDS over the next few years in Britain were yesterday revised sharply downwards, largely reflecting changes in sexual practices among homosexual men.

The figures, which may hold implications for healthcare agencies and for drug companies, came as the World Health Organisation reported 215,144 AIDS cases worldwide at the end of January – 11,545 more than the figure in December.

The projections from the Health Department's Public Health Laboratory Service, are for 6,380 deaths in England and Wales to the end of 1993. That compares with the previous forecast, 14 months ago, of between 7,500 and 17,000 deaths in Britain by the end of 1992. Official estimates put the number of deaths from AIDS so far in Britain at about 1,500.

The forecasts put the number infected with the human immunodeficiency (HIV) virus at between 12,000 and 26,000. The previous estimate was 20,000-50,000. Most infected people are expected to develop full-blown AIDS in 5-10 years.

The Health Department said the number of infected homosexuals was between 8,750 and 17,500. There were 750 to 3,750, infected heterosexuals. The number of drug abusers with the virus was 1,100 to 3,500.

Mrs Virginia Bottomley, Health Minister, warned: "The potential for widespread dissemination of [the virus] still remains, particularly among heterosexuals and injecting drug users."

Mr Robin Gilbert, an analyst at stockbroker James Capel said there were "tremendous market possibilities" for drug companies.

Mr Jonathan de Pass, an analyst at Barclays de Zoete Wedd, said that while the UK had limited the disease to homosexuals and drug abusers, that was not the case in the rest of the world. There were clear signs of a "breakout" into the heterosexual population of AIDS in some countries.

EMPLOYMENT

Companies look to Europe for staff

By Lisa Wood, Labour Staff

TWO LARGE British employers – Marks and Spencer, the clothing and food retailer, and John Mowlem, the construction group – will next week set up their stalls at one of Europe's largest graduate recruitment fairs.

This is the first time any UK companies have formally sought to recruit staff at the Co-Media job fair in Brussels, and is part of a push by UK companies to recruit continental graduate staff.

Foreign subsidiaries of UK companies have for many years recruited indigenous workers for local operations, while the parent companies have hired particular individuals for operations within the UK.

What is emerging as a new trend, however, is UK companies formally extending their recruitment programme to incorporate continental graduates.

Miss Helen Perkins, chairwoman of the Association of Graduate Recruiters, said: "About 50 per cent of our members are involved in some form of graduate recruitment on the Continent. Two years ago there were virtually none."

John Mowlem said broadening the experience of its UK labour force was the main reason for its visit to Brussels next week. The company recruits up to 200 graduates every year.

Ms Tamsin Phipps, head of Mowlem's training department, said: "We have an increasing number of European Community sub-contractors on our UK sites, particularly in London, so the ability to speak foreign languages is important.

"In addition, in recruiting foreign graduates to work in the UK we are trying to inject new ways of doing things, of broadening our minds. We are looking for a variety of experience."

Continental civil engineering and building degrees are different from those awarded in the UK and Mowlem plans special induction courses for recruits to harmonise their experience with that of their UK counterparts.

Mowlem has no specific recruiting target. Marks and Spencer, with 10 overseas stores, wants about 25 continental graduates for its UK stores. It is visiting job fairs being held in Brussels, Antwerp and Paris over the next few weeks.

Mr Mike Shaw, store recruitment manager, said: "This is the first time we have set foot on foreign soil in a positive effort to recruit graduates for our UK stores. Of course our stores in Paris, for example, recruit locally but that is for the local operation."

He added: "1992 is almost upon us. We are a European, as well as an international business, and we feel it is now right to recruit on the Continent."

Mr Shaw said M and S – which has no problems getting sufficient applicants in the UK – was not looking to create a cadre of Euro-managers.

However, the group did want people who had horizons beyond that of their own countries, he said. The recruits could be among those taking up appointments on the Continent should M and S so require.

Lloyds Bank employees reject 7.8% pay offer

By Fiona Thompson, Labour Staff

UNIONS representing non-managerial staff at Lloyds Bank yesterday rejected a 7.8 per cent pay offer.

The Lloyds Bank Group Staff Union, representing 22,000 of the bank's 44,000 non-managerial staff, and Bifu, the financial services union representing 16,000 Lloyds employees, dismissed the offer as inadequate.

Lloyds Bank will meet the unions again next week, and both LBGSU and Bifu will be looking for an improved offer.

The LBGSU had put in a claim for 9 per cent and the option for those below assistant manager level to have their 2.5 per cent annual bonus consolidated into basic pay. The Bifu claim was for £300 and 12 per cent.

The bank refused the bonus consolidation request and said its pay offer was competitive.

Outlining its reasons for rejecting the offer, LBGSU cited the NatWest 8.3 per cent offer, the public sector pay increases announced on Thursday giving average rises between 7.9 per cent and 11 per cent, and estimates by the Confederation of British Industry showing settlements averaged 8.3 per cent in the third quarter of 1989.

Bifu said the pay offer should be improved because of increased workloads due to the bank's plans to regionalise security work and expand the computer system.

At Barclays Bank, unions have rejected a 7.75 per cent pay offer. The Barclays staff union is claiming 14.5 per cent and a new grading structure. The Bifu claim at Barclays is for £300 and 12 per cent.

Traditional model of labour market inadequate, study says

By John Gapper, Labour Editor

FIVE TYPES of worker, including well-paid people with stable careers, women who have unstable working lives because of domestic responsibilities, and young men who often move to better jobs, have been identified in a study.

The Government-funded study of worker segmentation concludes that a traditional model of labour market "insiders" with stable careers and "outsiders" in poorly paid temporary and part-time jobs is inadequate.

Instead, the study of 1,022 adults in Northampton, concludes that there are five distinct types of worker in stable segments, who have quite different levels of job expectation and satisfaction.

The study suggests that employers may gain advantages from understanding different groups of workers because it will give them the opportunity to recruit employees who respond very differently to jobs with similar skills levels and pay.

The study identifies:

- **Primary workers.** Largest group in the sample – comprising 40 per cent of those studied. It was also the most advantaged. Its members were 78 per cent male, well-paid and of higher social class.
- **Stickers.** These were a little older than others and 62 per cent of them were female. They were the most satisfied with all aspects of their jobs, although their pay, fringe benefits and skill levels were lower than the primary group.
- ***Female descenders.*** People with the highest amount of domestic interference in their labour market activity, as measured by working part-time and quitting jobs for domestic reasons. Ninety-six per cent of them were women.

They received the lowest pay and had the highest proportion of job changes to similar level or lower level jobs. Half of them had transferred to a lower paid job when they last transferred employment.

- **Young and mobile males.** They were 30 years old on average and saw their chances of getting better jobs as being the highest of all the groups. They comprised only 5 per cent of the sample and were 80 per cent male.
- **Male descenders.** These were men who "seemed to have nothing going for them." They had all changed jobs in the past to one of a lower social class rating, and most had been sacked or made redundant at some time.

Segmented Jobs and Segmented Workers: an Empirical Investigation; By Brendan Burchell and Jill Rubery; ESRC Social Change and Economic Life Initiative Working Paper 13; Duncan Gallie, Nuffield College, Oxford OX1 1NF.

Labour unveils training and education scheme

By John Gapper and Alison Smith

THE Labour Party yesterday unveiled a training strategy under which post-16 education and training would be integrated, and Britain would move closer to the French system of state funding of young people's vocational education.

It said that it would broaden examinations for the over-18s along European lines, introducing a modular system of study. The aim would be equal status for young people going into jobs and higher education.

Mr Henry McLeish, Labour's training spokesman, said that a Labour government would introduce a new idea of "traineeship" for young people not going into higher education. They would have special status as young workers.

Young people would follow courses and achieve qualifications related to their choice of career for between two and four years. Employment for under-18s that did not involve structured education and training should be eliminated.

Mr McLeish said a Labour government would establish a National Training Fund to which employers would have to pay set contributions.

However, the amount that employers would contribute would be discussed further.

He said the Government's rhetoric about improving training did not not "square with the reality", and accused it of a "catalogue of complacency."

The Government had introduced only "high volume, low quality and low cost schemes."

In a paper presented to a conference in London organised by Personnel Today magazine, Mr McLeish said Labour would put a new emphasis on regional initiatives and would re-structure the Employment Service.

He said that Training and Enterprise Councils, which are being established by the Government, would be retained by a Labour government but their funding and objectives would be "urgently reviewed."

At Downing Street, the Prime Minister held a seminar for senior ministers to listen to representatives from industry, academic life, commerce, retraining councils and local government.

Mr Michael Howard, the employment secretary, Mr John MacGregor, the education secretary, Mr Kenneth Baker, the party chairman, and Mr Norman Lamont, chief secretary to the treasury, were among the senior ministers attending.

Others present included Mr Tim Eggar, the junior employment minister and Mr Robert Jackson, the junior education minister, together with officials from interested departments.

Downing Street said that the seminar provided an opportunity to inform ministers how the range of training initiatives were performing, and how industry was coping with the schemes.

Maxwell seeks younger journalists

By Raymond Snoddy

MR ROBERT Maxwell, publisher of Mirror Group Newspapers, has decided to "reinvigorate " his three national titles by bringing in young journalists and encouraging employees over 55 years old to leave.

Mr Maxwell, who is 67, has told editors this week that they should take urgent action on the early retirement plan for journalists.

There will be virtual mandatory early retirement for anyone aged over 60. If an editor wants to keep a journalist over the age of 60 because of special skills or experience a special case will have to be made to the publisher.

Employees turning up for work at the Daily Mirror have been called in and told of the new policy this week.

Journalists between the age of 55 and 60 will be encouraged to take early retirement by suggesting it might be in their best interests to take advantage of the pension deal.

Anyone leaving at 55 will have their full pension rights brought forward with no loss of rights and will be paid their full notice period which is linked to years of service.

Compensation at twice the statutory redundancy level is available as a alternative. Journalists who reach the age of 55 in subsequent years will be able to retire early.

If employees eligible to take early retirement at the Daily Mirror, the Sunday Mirror and The People did so it would cost Mr Maxwell £2.5m.

One Mirror journalist said yesterday morale on the papers was now very low.

Mr Maxwell who was travelling in Europe yesterday was unavailable for comment.

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Momentum of reform

SOUTH AFRICA can never be the same again. President F.W. de Klerk's constructive speech in Parliament gave a critical impetus to a momentum which began with the limited reforms introduced by his predecessor, Mr P.W. Botha. The process of change may now be unstoppable: the question is whether black and white South Africans can ensure a stable transition to a democratic society.

Mr de Klerk stopped short of releasing the African National Congress leader Mr Nelson Mandela. But the president's commitment to free him soon was such that to renege is unthinkable, not least because of the expectations among black South Africans and western governments.

Mr de Klerk also regrettably retained the state of emergency, in part because of the powers needed to deal with black factional violence in Natal province. But in every other respect he took the steps that should open the way to constitutional talks: the lifting of the ban on the ANC and other proscribed political parties, freedom for all political prisoners other than Mr Mandela, a moratorium on executions for political offences, and repeal of the Separate Amenities Act.

The fact that three pillars of apartheid – the Group Areas Act, the Identities Registration Act and the Land Acts – remain is the most serious omission. Yet this should not prevent the ANC (which should now announce a halt to guerrilla activity) and other anti-apartheid parties from accepting Mr de Klerk's invitation for talks.

No-one should overestimate the chances of success. There is a seemingly unbridgeable gulf between the ANC's demand for a majority rule constitution, and Mr de Klerk's continuing commitment, made clear yesterday, to a system based on "group" (i.e. race) rights.

It is not for the outside world to dictate the terms of a new constitution for South Africa. Nor is it yet the time to relax sanctions. Judicious use of this pressure can push both sides towards compromise. The release of Mr Mandela should trigger a co-ordinated western stance which links reform in South Africa with a progressive withdrawal of sanctions.

The most powerful sanction, however, is not in the hands of governments. Only when South Africa looks set for constructive change will international banks resume lending, and investors return. That change lies in the hands of South Africans. Mr de Klerk's speech yesterday was a big step in that direction. Many more will be needed.

Sterling's show of strength

THE WORLD'S stock markets may have had a terrible January, but it is easy to overlook the fact that the pound has turned in its best performance for a long time. A month ago it was hitting new lows against the D-Mark and there seemed a risk that interest rates would have to be raised. Since then it has risen by more than 10 pfennigs against a strong D-Mark, and its trade weighted index has appreciated by 4 per cent, reversing more than a third of last year's sharp decline.

The publication of the November trade figures just after Christmas seems to have been the turning point, and the much better than expected December figures have added to the belief that the UK's substantial balance of payments deficit may not be such an insuperable problem after all. The strength of UK exports, combined with increasing evidence that UK consumer spending has been tamed, have all contributed to an improvement in sentiment. While the high level of wage settlements remains a concern, a squeeze on importers' margins and on corporate profits seems to be preventing the full effects feeding through to the inflation rate.

The risk premium attached to holding sterling has fallen noticeably over the last few weeks. The assumption is that next month's Budget will be tough, which can only be good for the currency. The final factor working in sterling's favour is that the UK's interest rates are looking attractive relative to other high yielding currencies. Since the start of the year, interest rates in Spain and Australia have fallen by around 100 basis points and French interest rates have fallen by more than 50 basis points. However, the recent sharp drop in the Australian dollar, after the Australian Government began to ease monetary policy in order to increase its chances of winning re-election, is a cautionary reminder that it would not take much to prick sterling's current burst of strength.

Patti Waldmeir assesses the South African President's political concessions

De Klerk's leap into the unknown

With more boldness and imagination than any leader in 40 years of National Party rule, Mr F.W. de Klerk, the South African President, has transformed the political landscape of South Africa.

Apartheid will not end with his decision yesterday to legalise opposition to white rule, release political prisoners and welcome home exiles who have spent three decades fighting for liberation.

Even the release of Mr Nelson Mandela, the African National Congress leader – to which Mr de Klerk is now irrevocably committed – will not, in itself, bring blacks to power in Pretoria.

But when South African parliamentarians yesterday heard their president's plan for a new South Africa, they gasped at its scope. And well they might, for Mr de Klerk has carried his people and his country far beyond the old certainties of repression and white domination. There can be little doubt that he has set in motion a process with an outcome that he can neither control nor predict.

The way now seems clear for talks on a new constitution for South Africa. But the gap between the two sides is unchanged, with the ANC firmly committed to majority rule and Mr de Klerk – as he stressed again yesterday – clinging to a system based on what he has termed "group rights." To the ANC that means nothing less than perpetuating racism.

Nevertheless, the distance travelled already is enormous. Until late on the eve of the address to Parliament, it looked as though Mr de Klerk's courage might not hold.

Senior party officials went to great lengths to limit international expectations of the speech, rehearsing all the reasons why Mr de Klerk could not announce a release date for Mr Mandela, unban the ANC, and free political prisoners.

After eleventh-hour contacts between government officials and Mr Mandela – which are understood to have included a meeting between Messrs de Klerk and Mandela, though the Government denies this officially – the latter two difficulties were resolved.

And even the most substantial obstacle of all – the release of Pretoria's most famous political prisoner,

Mr de Klerk has set in motion a process with an outcome he can neither control nor predict

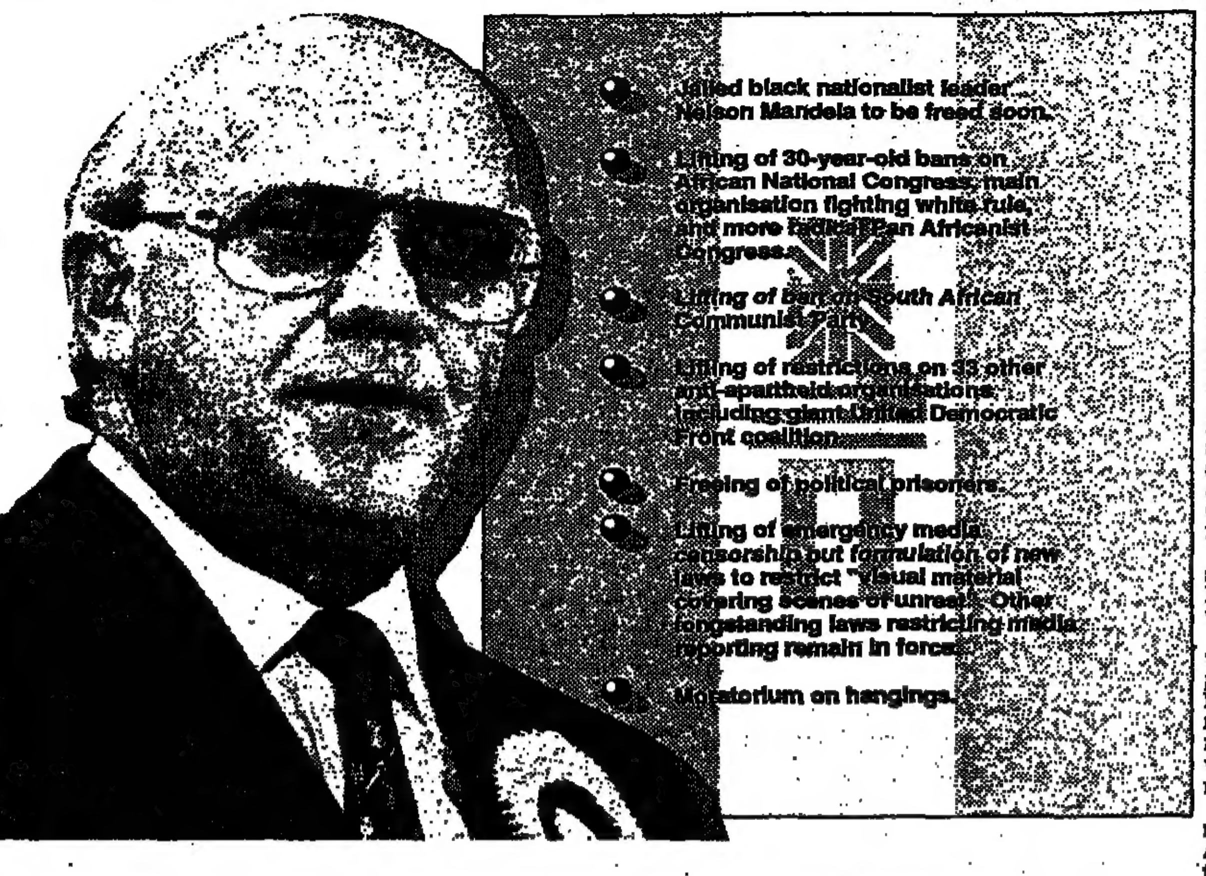
Mr Mandela – seems almost certain to be overcome within the next few weeks.

The measures announced yesterday – which will free the whole of the anti-apartheid opposition to operate politically within South Africa for the first time – have been widely welcomed. Archbishop Desmond Tutu, no friend of Afrikaner presidents, said Mr de Klerk's moves took his breath away. The man who has done more than any other South African to invite international condemnation of Pretoria yesterday pleaded the opposite case.

"Give him credit, man, do give him credit. I do," the Archbishop told a press conference in Cape Town.

Those who support international economic sanctions against South Africa – and who have relied on the Archbishop's support for sanctions in the past – may find in this comment reason to reconsider their position.

Mr Thabo Mbeki, the shadow Foreign Minister of the ANC – who has



repeatedly questioned Mr de Klerk's sincerity in the past – seems finally to have been convinced that Pretoria is serious about negotiating a new future for South Africa.

"If de Klerk is saying the time has come for talks, we may be saying the same thing ourselves," he said in Stockholm, where the ANC executive is meeting with its ailing president, Mr Oliver Tambo.

And in the streets and shops of central Cape Town, the response from blacks, coloureds (mixed race) and liberal whites was one of delight and astonishment. In the Coffee Break snack shop, opposite the Parliament where Mr de Klerk was busy rewriting South African history, tears welled up in the eyes of the three coloured waitresses as they delivered the news along with the sandwiches.

Mrs Winnie Mandela was understandably disappointed that the husband she lost to prison 27 years ago had not yet been freed. And the United Democratic Front, one of the anti-apartheid groups freed from restrictions by yesterday's speech, focused attention on the fact President de Klerk had not removed some repressive legislation from the statute books.

But however legitimate the reservations expressed by groups which have suffered much at the hands of Pretoria, it is difficult to know what more Mr de Klerk could have done to prove his good faith. His boldest move was to legalise the ANC, the South African Communist Party and rival Pan Africanist Congress, banned in 1960. To some extent, this represents a mere formalisation of existing conditions.

For in the three months since senior leaders of the organisations were released from prison last October, Pretoria has done less and less to enforce the bans, allowing the three groups to hold rallies, issue public statements and hold press conferences. This was the announcement which provoked gasps in the Parliament chamber: for in the mythology created by previous governments, the ANC and its leaders were cast as the chief demons in the white universe of fear. To hear former President P.W. Botha tell it, the ANC was spearheading an international communist onslaught against South Africa.

The ANC, for its part, never misses a chance to preach the virtues of the armed struggle. Now, presumably, it can do so openly, even in the heartland of Afrikanerdom – though a quid pro quo of the legalisation was that the ANC commit itself to seeking a peaceful solution to the country's problems.

It did so as recently as last month – while simultaneously insisting the armed struggle could not be abandoned – and Mr de Klerk may well have extracted an even more categorical commitment to peace from Mr Mandela.

The removal of the bans will mean that the exiled heads of the three groups can return to South Africa – though the ANC may wish to maintain a military presence outside the country, and government officials suggested yesterday that ANC military leaders might not be welcome to return.

Political leaders of the organisation would, however, be allowed back. And with their return, the process of open political debate which has been stifled for the past 30 years – and which is so crucial to the prospects for a negotiated settlement of the country's problems – can begin at last. Encouraging this debate seems to have been the main aim of many of the changes announced yesterday.

From today, according to government ministers, all those groups and individuals who have been banned or restricted can operate freely.

This includes all of the leading anti-apartheid opposition groups, such as the United Democratic Front, and almost every black political leader (though those who have committed violent crimes will remain in prison).

In addition, political prisoners (excluding those who have been sentenced for crimes such as murder, terrorism or arson) will be released, and will be able to assume their places in the leadership of the newly-freed organisations.

Mr de Klerk has also proposed that Parliament remove mandatory death sentencing for certain crimes from the statue books. Henceforth, judges are to be given far greater discretion in imposing the sentence, and the right of appeal is automatic.

This should also help to reduce the atmosphere of mistrust in the country. Anti-apartheid lawyers stress that Pretoria retains, none the less, measures which will allow it strict control over opposition.

The three-year state of emergency has not fully been lifted, detention without trial can continue although the detentions have been limited to six months, and provisions for bannings and restrictions remain.

And they point out that the acid test of Pretoria's bona fides will be the release of Mr Mandela. It remains a mystery why Mr de Klerk did not take that step yesterday; but government officials insist privately that there are no major obstacles to the release.

They include arrangements for Mr Mandela's security, which will remain an important source of concern throughout the next few months. But it seems almost certain that remaining difficulties will be solved by mid-March at the latest.

The release cannot come too soon: for it is clear that the rapid pace of reform has caught the anti-apartheid opposition largely unprepared. Opposition positions on crucial issues such as economic policy and minority rights are only half-formed, and have largely gone undebated until now.

The Government must be eager to see Mr Mandela guiding that debate; there is every sign that he may prove a moderating influence on young blacks schooled in township violence and the language of violent revolution.

For although Pretoria now seems to have created a climate for negotiations, the distance to be travelled in these talks is none the less great.

It remains clear that most blacks believe the subject of those negotiations will be nothing less dramatic than the transfer of power to the majority – while it is equally evident that Pretoria is not yet contemplating such an alternative.

The crisis in the white state – and in Afrikanerdom in particular – is serious. The economy is severely constrained by lack of foreign capital, and the Afrikaner community itself is deeply divided over the issue of reform.

But the situation is certainly not serious enough to prompt the National Party Government to give up without a fight.

There are signs that Mr Mandela would be prepared to consider a compromise which would involve some kind of protections for white minority rights; but that remains anathema to most of his followers, who insist they will only accept rule by the black majority.

If, as seems likely, negotiations are not going to lead Mr Mandela and the ANC straight to Presidential office, the Tuynhuys in Cape Town, then the ANC leader's task becomes much more difficult and potentially divisive.

He must somehow champion black nationalist aspirations – and be seen to do so – while avoiding alienating the 5m whites who will certainly be crucial to the economic future of South Africa.

He must decide where Pretoria is

The South African Government has now passed a point of no return — a point no predecessor had even approached

vulnerable, and thus open to compromise, and where it remains unassailable; and throughout the process, he will have to sell compromises to a black constituency which is in no mood to make concessions.

The process could well take years, and pass through a number of transitional phases along the way. But it seems overwhelmingly likely that the National Party Government has now gone beyond a point of no return – a point which no previous government had even approached.

For while it would be wrong to exaggerate the influence of one man, especially one who is elderly and lacks all experience of the modern world, the fact of Mr Mandela's imminent release suggests that politics in South Africa are more fluid than at any time since the Second World War.

And if Mr Mandela cannot exploit those conditions to achieve the creation of a non-racial, democratic and peaceful South Africa, it seems a fair bet that nobody else can.

MAN IN THE NEWS

Gerald Solomon

Taking risks in the market for plastic

By David Barchard

For a man who took the decision which has led customers to desert his bank in hundreds of thousands, Mr Gerald Solomon, Lloyds Bank Senior General Manager for UK Retail Banking, is remarkably cheerful.

"I definitely have no butterflies in my stomach," he said this week after it became clear that 375,000 of Lloyds Access credit card customers had closed their accounts. "I would have them if we were not doing what we are."

Becoming the first large British bank to introduce an annual charge for its credit cards is only the latest in a two-year long series of pace-setting initiatives by Lloyds in the UK plastic cards market.

Mr Solomon has been in charge of Lloyds personal market and plastic card business since 1986. A tough north easterner who has spent all his adult life with Lloyds since graduating in law from University College London, he maps out the bank's strategy from his rather austere Lombard Street offices.

"I belong to the post-war generation which was brought up to recognise the value of money," he says.

Touches of Bauhaus style in the pink and grey furniture of his office contrast curiously with the drab and self-consciously low-cost surroundings in which Lloyds senior retail banking executives work.

At Mr Solomon's prompting, Lloyds broke ranks with the other Access banks in 1987 by joining Visa, the rival card payment system, to become the first British bank to belong to both systems.

From there Lloyds went on to issue a Visa debit card in 1988 for its current account customers and woo UK retailers with the first combined Visa and MasterCard processing services.

Mr Solomon ranks fifth in the Lloyds pecking order after Mr Brian Pittman, the bank's chief executive. He says his enthusiasm for innovation in retail banking dates from a spell as deputy manager on Jersey in the early 1970s where he was free to experiment with rules and products.

Willingness to experiment made Mr Solomon one of the few senior figures in Lloyds who felt at all bullish about the Government's proposals for student loans, though he was eventually persuaded by his colleagues that the idea was not commercially viable.

Lloyds is the smallest of the "Big Four" UK clearing banks, but its moves created the competitive setting in which its large competitors had to work out their individual strategies.

At the same time Mr Solomon has kept Lloyds out of some areas of plastic card business easily pursued by its rivals. Unlike Barclays, Midland, and National Westminster, Lloyds has stood aside from the rush to develop a new generation of smaller electronic terminals for retailers.

Its debit card operations have stuck to the Visa brand. Lloyds executives still tend to mock Switch, the electronic-only debit card launched by NatWest, Midland, and Royal Bank of Scotland in 1988, even though it has grown more rapidly than they predicted. "We are already everywhere that Switch is," says Mr Solomon.

Last August, on the day that the Monopolies & Mergers Commission published its report on the UK credit card industry, Mr Solomon upstaged it with what may be his riskiest throw yet in the credit card game. He announced that Lloyds would charge £12 on its Access cards from soon after the New Year. On Thursday the charge came into effect.

This is one move which so far none of the other large UK banks have copied. Though charges for credit cards are made almost everywhere else in the world, credit cards have been issued free in the UK since they first appeared in the late 1960s.

"The decision to introduce a charge on our credit cards was really taken 12 months ago," Mr Solomon says. "It was quite coincidental that the MMC report came out at the same time."

The decision implied the deliberate sacrifice of large numbers of customers. The US precedent suggested to Lloyds that around 15 per cent of a bank's cardholders could be expected to hand back their cards rather than pay a fee.

For Lloyds Access, that meant losing about 450,000 out of 3m cardholders. Around 300,000 card holders who seldom or never used their cards could be expected to go immediately once the fee was announced, while many others who paid their account in full each month (about 43 per cent of the total) might also close their accounts.

These costs might look daunting, but Mr Solomon believes that the cutback makes sound financial sense. Profits in the credit card industry peaked in 1986 and since then have gone into a steepening decline.

"The average retailer service charge of 1.8 per cent just about covers the cost of funding, but not other costs such as operating the scheme or covering bad debts," he says. "Then there is the cost of the nil interest payer who pays his account in full each month." Lloyds believes that each habitual non-interest payer costs it £20-£50 a year.

The alternative would be to drive up the interest rate charged on credit cards even further without necessarily guaranteeing improved profitability.

That would have clashed in any case with another of Mr Solomon's stated objectives which is to re-position Lloyds Access card as a sensible borrowing instrument. The charge has allowed Lloyds to cut its interest charges on outstanding balances from 2.2 per cent a month to 1.9 per cent (29.8 per cent to 26.8 per cent APR). There may be further cuts.

Meanwhile the outflow of Lloyds Access customers does not ruffle Mr Solomon. On the contrary, he expects another 200,000 will have to be, as he puts it, "cleared out."

"Things have worked out pretty much as we hoped. We have had remarkably little aggravation from our customers. We are still opening 20,000 new Access accounts a month without advertising. Other Access customers who don't need credit cards are switching to our Visa payment card. We are issuing about 8,000 a day at the moment."

He doubts that customers who want to borrow on credit cards can migrate in large numbers to smaller issuers such as Save & Prosper and Chase Manhattan with much lower rates. Their criteria for new customers are too tough and they can only handle far smaller volumes of business.

"If our competitors don't follow us, we will have the whole field to ourselves. But I think by the autumn we will see them following us," he predicts.

Charles Leadbeater reports on how British companies are facing up to a slowing economy

Brian Hardy and his workforce at CML Microsystems in Witham, Essex

Ashley Ashwood

Success and failure in 1990

One company is burdened by debt used to acquire businesses in the mid 1980s, uses traditional technology and is almost completely dependent on low margin, clothing sales in the UK market. The other uses high technology and makes about 80 per cent of its sales to telecommunication companies based overseas.

Paisley Hyer, the first company, went into receivership this week. CML Microsystems, the second, is preparing for another year of healthy profits.

Their contrasting fortunes represent the two faces of British industry as it prepares for the year ahead amid warnings of gathering economic gloom.

Those warnings became more intense this week as Paisely Hyer was joined in receivership by the Response Group, another clothing company, and British Island Airways, the charter airline. The Confederation of British Industry warned that industry was on the verge of a recession, with manufacturing output stagnating and unemployment rising.

It is clear that in many industries 1990 will be a dull year at best, and at worst very difficult indeed, as companies struggle to rein in the confidence and costs which rose during the consumer boom of the mid 1980s.

But the outlook is far from uniform. The main problem for computer manufacturers in the Thames Valley is still the acute shortage of skilled staff in an area of near zero unemployment. Companies like CML Microsystems are looking forward to a good year, partly because they are riding on the growth of the personal telecommunications market.

Others, such as chemical companies and steel stockholders, may may face difficulties as markets fall from the historic peaks they reached in recent years. But if they are strong enough they can prevent a difficult year becoming disastrous.

Meanwhile companies like Paisely Hyer, which over extended themselves in cyclical consumer related markets, may fall into deep trouble if their managers are not able to reorient their businesses quickly enough.

Slowing growth sets the immediate economic environment for companies. But the managerial response also matters. Did companies use the steady growth in the mid 1980s to reduce their vulnerability to a downturn in the UK or did they compound it by lapping up domestic orders? Praising management professionalism might have been easy during years of plenty. This year will provide a much more searching test of how well-run companies have become.

Paisley Hyer and CML Microsystems provide different answers to these questions.

Paisley Hyer employs 2,400 people at 18 plants in the north east and the east Midlands making womens' wear and knitwear. A separate lingerie business in Somerset has avoided receivership.

Its lengthy struggle to avoid going under began in the middle of last year. The company built up its borrowings in the late 1980s to buy a string of businesses and earn a reputation as one of the fastest growing clothing companies. It even announced plans to go public.

But high borrowings and slower sales exposed its low margins and relatively high costs. The first step in its attempt to avoid the receivers was to reinvigorate management. A new management team appointed in September set about attempting to arrest the company's slide by selling its jewellery business. Cost savings were accelerated in December, with the closure of the Hartlepool womens' wear factory to improve margins.

Meanwhile the company was negotiating with venture capitalists to refinance the company and was in constant contact with its bank to keep it afloat. Mr Tony Cant, Paisley's chief executive, says of the bankers: "They were supportive within limits."

Those limits were reached this month. Mr Cant says: "We attempted to reach an accommodation with the banks but it became clear the gap could not be bridged and in the end we had to bow to the inevitable."

The company, which is profitable at the trading level, is desperately trying to hold on to its machinists and organise longer term refinancing.

Although the CBI reports mounting optimism about growth in export markets, Mr Cant dismisses the suggestion that Paisley could have avoided its fate by switching production to overseas markets from the home market, where its main customer is Marks and Spencer.

He says: "We have much more urgent problems than attempting to boost exports. Our problems are that costs are too high, efficiency too low and margins too slim. We have to cut back to improve the core business before we could think of expanding overseas."

Offsetting sluggish domestic sales by swiftly switching to exports is very difficult unless a company has the foundation of healthy margins. Export drives entail much higher immediate costs in airfares, hotel bills, car rentals, advisers and management time, for a reward which may arrive in the medium term. Far from improving a company's position in the short run it could worsen it.

The lesson of CML Microsystems is that companies have to be well prepared, in advance of a UK downturn, to take advantage of growth overseas.

CML, which was established 21 years ago in Witham, Essex, employs 130 people in the UK and 50 overseas to manufacture silicon chips for mobile radios and telephones and traffic management systems.

It has emphasised the importance of customer led research and development and high quality manufacturing engineering. About 20 per cent of its workforce is engineers.

Research and development, through close links with its 12 main customers – which include Motorola, Siemens, Alcatel, Philips and Bosch – has allowed the company to move from producing lower technology tone-signalling devices to silicon chips. As a result it has established itself in market which is set for considerable worldwide growth over the next few years.

Mr Brian Hardy, CML's marketing director says: "We recognised early on that the industry was going to be global." Although a small company CML has expanded overseas with determination. Almost half its £11.4m sales last year were in continental Europe. Even its British sales are export oriented. A large proportion of its its £2.9m sales in the UK went to Philips and Motorola, which export from their British plants.

In the past eight years it has set up two plants in the United States to expand its sales there to £1.7m. Most recently it designated a single salesman to work the Far Eastern market. CML has won orders from Matsushita and Japan Radio Corporation among others. Over the past three years its sales in the region have grown by about 50 per cent a year to £763,000.

The combination of product development and efficient manufacturing means that CML works with healthy margins, which allow it to support its overseas operations. It made a £3.3m profit last year.

As a result CML was well prepared when the UK market began to slow. Indeed, it has benefited from high interest rates: it has £4m in the bank.

Mr Hardy says confidently: "A recession in the UK would have hardly any effect on us at all." No doubt Paisley Hyer's machinists wish they could say the same.

The butterfly's tip on exchange rates

Rachel Johnson examines the application of Chaos theory in currency markets

A combination of popular science and economics this week lured an assortment of resident gurus from the merchant banks, Treasury and Bank of England away from their lunches, out of pre-Budget purdah and into Chatham House to hear how the latest scientific theory applies to the foreign exchange markets.

Chaos – a vogue science since Mr James Gleick's eponymous book spent 17 weeks on the New York Times bestseller list in 1988 – has become the focus of learned and algebraic debate in the currency markets, even though many a trader has long assumed that chaos thrived there without the aid of econometric models.

Neither Mr Gleick, nor Mr Paul de Grauwe, the "chaoticist" who invented the models, defined exactly what chaos was, but both referred to the "Butterfly Effect." This is the name given to the discovery that tiny differences in input can result in huge differences in output. The effect is illustrated in Mr Gleick's book – he says the fluttering of a butterfly's wings in Peking today could cause a storm over New York next month.

The economists were shown models of exchange rate behaviour which incorporated the latest concepts from chaology. Mr de Grauwe, a research fellow at the Centre for Economic Policy Research, said his models challenged "conventional conclusions" about exchange rate policy. He dismissed 20 years of research in favour of the chaos model which, he claimed, reproduced the unpredictable behaviour of the forex markets without the use of conventional models.

In the Non-Technical Summary of his paper, Mr Grauwe provides an explanation of what conventional models are. Since floating exchange rates were introduced in the 1970s, models have been linear, and driven by stochastic disturbances – that is, the models have built-in variable elements and react to economic fundamentals and news events.

The new model – based on those developed in the natural sciences to mimic turbulent fluids – is random, not news-driven. It reacts with extreme sensitivity to tiny changes in the input data. The chaotic series also solves the problem of conventional analysis, which is that sharp currency movements cannot always be attributed to news. In some interpretations, de Grauwe points out, both the dollar's rise in 1979-1984 and decline in 1984-1987 were attributed to the same piece of news – the US budget deficit.

The preliminary model shown to economists at Chatham House was not pure chaology, however. It did generate chaotic exchange rate movements, but had two variables. These were the effect a depreciating currency has on the trade balance, and the effect of dealers' expectations on currency movements. With the inclusion of variables, the model was deemed capable of generating real exchange rate dynamics – if not instant profits for currency traders.

It is not yet clear how seriously the City will apply computerised chaotic models to currency trading. While the practical applications of the theory are growing fast – helping scientists to understand, for example, why the steady rhythms of the human heart can be irregular – analysis has not shown hidden order in the unpredictable movements of prices in the financial markets.

Mr Giles Keating, economist at Credit Suisse First Boston, pointed out that news events, such as the democratisation of eastern Europe, would continue to have quantifiable effects whatever a chaotic model forecast.

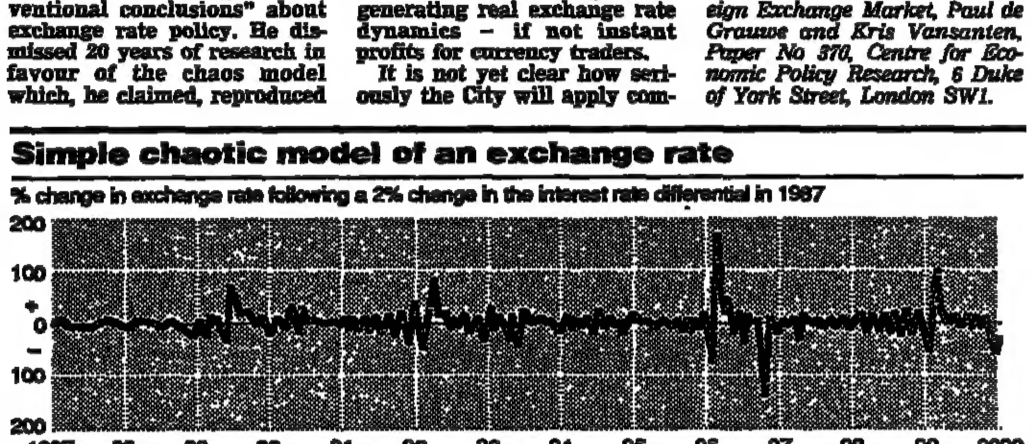
But this week's preliminary findings about chaos and the currency markets may signal a new trend. Chaology has taken a firm hold in the US, and chaos models are engrossing Wall Street economists. "Six US investment houses will have their chaos systems up and running by the end of the year," says Mr Matthew Annable, investment manager for Barclays de Zoete Wedd, the UK securities house.

The model for the foreign exchange markets can be tailored to the equity, bond and commodities price markets, Mr de Grauwe said. It only remains to be proved whether the fluttering of a butterfly's wings in Peking can cause a storm about the sterling-dollar cross rate in New York.

"Deterministic Chaos in the Foreign Exchange Market, Paul de Grauwe and Kris Vansanten, Paper No 370, Centre for Economic Policy Research, 6 Duke of York Street, London SW1.

Simple chaotic model of an exchange rate

% change in exchange rate following a 2% change in the interest rate differential in 1987



This chart shows how one stockbroker's chaos model suggests that sterling's exchange rate with the rest of the G7 might fluctuate in response to a single tiny change in interest rates in 1987

Source: UBS Phillips & Drew

LETTERS

NHS curbs: hurt for optometrist and consumer

From Mr Ian Hunter.

Sir, Your article ("Opticians feel the strain of NHS cash curbs," January 31) represents only the tip of the iceberg for optometrists.

Many practices across the country are now facing severe damage to their viability, not only because of the drop in volume of eye tests but also because of the low level of the NHS sight test fee and the inadequacy of the NHS spectacle voucher scheme. Our most recent research shows that the voucher value in Band A (accounting for the vast majority of spectacles supplied to exempt groups) provides for less than 50 per cent of the cost that consumers pay.

You identify Northern Ireland as having recorded an increase in the number of eye tests during the third quarter of 1989 compared with the same quarter in 1988. However, given that the research was national in scope, regional figures have to be treated with some caution.

In particular, Northern Ireland produced a very low sample of practices and is, therefore, the one region where one could seriously question the results. The previous quarter showed a 21 per cent fall compared with the previous year.

Our Northern Ireland branch has recently concluded a comprehensive survey of practices in the province which shows a 30 per cent drop in sight tests.

However, the essential point is that government changes are having a dramatic effect on the profession's ability to provide a continuing service throughout the country. The profession is hurting, but more importantly, so is the consumer.

Ian Hunter,
Secretary General,
Association of Optometrists,
Bridge House,
233-234 Blackfriars Road, SE1

Drawbacks to staged rises

From Mr Chris Trinder.

Sir, In "Row looms over public sector rises," January 31) you state "government sources have suggested that ministers might consider staging some or all of the increases," and this was confirmed by later events.

It is timely to note that when this occurred before, the nurses Pay Review Body (4th report, Cm129, April 1987) commented: "We regret, however, that, for the second year running, the Government did not find it possible to implement our recommendations on the due date. The delay . . . reduced the possible impact on recruitment and retention."

The Armed Forces Pay Review Body (17th Report, Cm126 April 1987) said: "The salary levels we recommend are intended to provide a fair income for servicemen and servicewomen in the 12 months from April 1 . . . We believe that the detrimental effect of the decision within the armed forces was out of proportion to the money saved."

Chris Trinder,
Senior Research Fellow,
Public Finance Foundation,
3 Robert Street, WC2

In defence of Lloyds Bank's Access 'free-riders'

From Mr Clive Baker.

Sir, So Lloyds Bank regards any of its Access customers who pay their accounts on or before the due date as "free –riders" ("Fee drives 375,000 to drop Access," February 1).

Could any remark by a supposedly respectable financial institution be more impertinent or insulting?

Even ignoring the manner by which the imposition of a £12 fee has been introduced which, in turn, has been criticised by the Director General of Fair Trading, Lloyds conveniently omits to mention that:

● All purchases by the "free –riders" generate substantial commission for the issuing bank.

● The use of credit cards contributes to the desirable aim of reducing the amount of cash in circulation and therefore the costs to all banks. It also affords a degree of security to customers and retailers alike.

Is it surprising that Lloyds has already lost over 10 per cent of its credit card customers? It is only a pity that all of them are not bank customers as well.

Can we now expect Lloyds' bank customers who are perverse enough to stay in credit on their current accounts, to be similarly insulted.

Clive Baker,
70 Grafton Way, W1

Life companies and monitoring of tied agencies

From Mr Glenn Morgan and Mr David Knights.

Sir, Recent events at Garston Amhurst Associates bear out conclusions which our research on the Financial Services Act and life insurance companies reached last year.

Based on an extensive questionnaire of compliance officers with life companies, we found that few had special procedures for ensuring that their tied agents were adequately monitored. Few companies appear to have been willing to develop control systems especially for their tied agencies, preferring to rely either on systems designed for other types of distribution channels or primarily on the agent's professionalism. It meant that this area of business was the least adequately controlled. In our view, it was only a matter of time before problems emerged.

It is now clearly a matter of priority that action is taken to ensure that tied agents are more adequately monitored for compliance with the act. This requires action at two levels:

● Life companies that took on large numbers of tied agencies have a duty to develop a more adequate and comprehensive system of control and evaluation. This should go further than a perfunctory visit every few months and must take into account general issues to do with the conduct of business.

● Lautro must ensure that during its visits to companies the issue of tied agencies is given careful attention and spot checks on tied agents are carried out from time to time.

As the leading regulator, the Securities and Investments Board should be concerned with clarifying how tied agents are to be adequately monitored.

Glenn Morgan, David Knights,
Manchester School of Management,
University of Manchester Institute of Science and Technology

Humanities in danger of becoming a hobby for the rich

From Ms Katrin M. Kohl.

Sir, Writing on the universities' future ("Pedlars of knowledge," Weekend FT January 27), Nigel Spivey concludes that "it is time that knowledge was brought into the market-place." He is apparently confident that citation indices will reveal the best brains, student loans will attract mature students into higher education, school-leavers will come to regard university courses as "choices for better lives, not simply steps towards a certain career," and universities will sort out the nation's illiteracy and innumeracy.

He offers no evidence to support his assumptions, unless the fact that Socrates "argued habitually with cronies in the market" is taken as proof that the best academics are market-oriented.

One suspects that there is not a little self-interest in his uncritical assessment of government policy. As a classicist at Lampeter, he hopes to benefit from a system that bases quality of education on personal wealth: provincial universities will, he claims, "get the chance to take those students who qualify intellectually for Oxbridge but cannot afford the higher costs of its colleges."

Whether those students will flock to subjects like classics remains to be seen. It seems more likely that they will choose vocational courses that provide a sound financial investment and enable them to pay off their debts.

In his opportunistic advocacy of the market-place approach, Nigel Spivey apparently fails to notice that he is supporting a move towards directly market-oriented courses. The humanities look set to become a hobby for the rich.

Katrin M. Kohl,
Jesus College,
Oxford

Financial advice in the high street

From Mr G.R. Lister.

Sir, Barry Riley ("When clients are no longer fair game," Weekend FT January 20) was correct to raise the matter of sound and impartial advice on pensions and investments. But his article, suffered from one key omission.

The choice of independent financial advice on the high street is wider than he suggests. Whilst singing the praises of one leading bank's retention of its independent financial status, Mr Riley seems unaware that Bradford & Bingley is the largest building society providing independent financial advice through its branch network.

Our service is designed to provide people with a pension or investment arrangement which most suits their needs and using whichever insurance company best fits the bill. Personal pensions are reviewed annually and further advice and information is available from over 300 trained pensions advisers. The advice from Bradford & Bingley includes advising a client to remain in a company scheme if that is the best option.

G.R. Lister,
Chief Executive,
Bradford & Bingley Building Society,
Bingley, West Yorkshire

Too little time

From Mr W. Jongepier.

Sir, Edward Mortimer's fantasy about Europe's borders in the year 2020 ("When the lion lies down with the lamb," January 24) is an exciting vision of the future. However, in the case of Belgium, imagination is stretched too far. The accompanying map shows Flanders in the southern part of the country and Wallonia in the north.

Such a drastic rearrangement could offer great advantages and it might make it easier for the French to learn that other great European language, Dutch. However, I feel that even the Belgians, with their talent for innovative political constructions, will not achieve such an extremely complicated logistical project in a mere 30 years. Maybe in 2050 . . .

Wouter Jongepier,
110 Avenue Houzeau,
B-1180 Brussels

UK COMPANY NEWS

MTM launches a hostile £12m bid for Chemoxy

By David Owen

MTM, the specialist chemicals manufacturer, yesterday unveiled a hostile bid worth more than £12m in shares or cash for Chemoxy International, another chemicals group which is located just *eight miles from the group's* Cleveland headquarters.

Chemoxy described the 400p-a-share offer as unacceptable and advised shareholders to take "no action whatsoever". Its shares leapt 149p to 417p in anticipation of a higher rival bid.

MTM, which said its offer represented a 50 per cent premium to the market price at close of trading on Thursday, indicated that it would not be increased except in a competitive situation.

Among the factors influencing the market was the prospect that Chemoxy may have a new £15m-£18m plant built for it by the Teesside Development Corporation.

Chemoxy is discussing with *the TDC a proposal to* purchase for redevelopment the site of its Middlesbrough plant. Under the plan new facilities would be built at another site at the TDC's expense on an equivalent reinstatement basis. It is expected that construction would take a little less than two years.

TDC said that no final conclusion had been reached.

MTM is offering 186 new ordinary shares for every 100 Chemoxy shares. A separate £7m offer by Robert Fleming for up to 3.43m MTM shares at 204p *would provide the cash* required to satisfy elections under a proposed cash alternative.

If successful MTM's issued ordinary share capital would expand by between 3.43m and 5.6m shares or at most 10 per cent.

MTM's move for Chemoxy, which makes specialist chemicals for the oil exploration, detergent, fragrance, paint, pharmaceuticals and toiletry industries, is part of its strategy of building on its established speciality chemicals business.

From an industry viewpoint, a successful bid would continue a process of consolidation which has swept through the sector as it has become increasingly capital-intensive. MTM, which has expanded rapidly both through organic growth and acquisition since its formation 10 years ago, is a product of this process.

The company is also attracted to the sidestream reprocessing service that Chemoxy sells to the chemicals industry.

*"Minimising sidestream aris*ings or maximising recovery is what it is all about today both from an economic and an environmental point of view", said Mr Richard Lines, MTM chairman. "Chemoxy has the facilities that will enable us to do that to a greater extent internally rather than contracting it out."

For the six months to last June 30, MTM reported pre-tax profits of £4.1m on turnover of £34.1m. For the year to last March 31, Chemoxy had pre-tax profits of £1.06m on turnover of £11.5m. The group joined the main market via a £5.35m flotation in May 1987.

MTM shares fell 4p to 211p.

Kleen-e-ze incurs £2.88m loss

By Clay Harris, Consumer Industries Editor

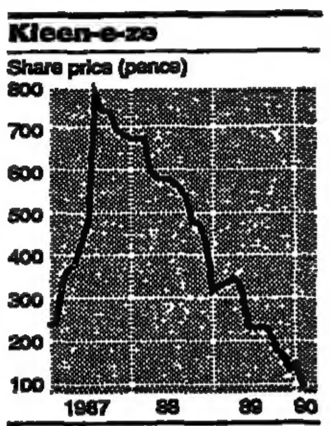
KLEEN-E-ZE HOLDINGS, the housewares distribution and direct marketing company, is omitting its final dividend after plunging to a pre-tax loss of £2.88m in the year to September 1. *Its shares closed 8p* lower at 95p.

The group suffered in all sectors in 1988-89 but expects to return to "modest profitability" in the current year, Mr John Gough, chairman and chief executive, said yesterday.

Among the factors responsible for the poor result were the postal strike in the first quarter, start-up costs at the Leading Edge retail chain, and a decline in demand for seals used in draught-proofing.

The company's direct marketing arm, which publishes theInnovations catalogue inserted in national newspapers, incurred costs in setting up its own order-fulfilment house.

The original brushes and cleaning products business was reorganised, and the Sundt-Semar packaging division lost £1.1m before tax because of delays in developing automated production and problems in fulfilling one order.



At the group level, the £2.88m loss followed pre-tax profits of £1.81m in the 17 months to September 2 1988 and came on turnover of £46.05m (£49.86m). The loss per share was 39.46p (30.76p earnings).

When it passed the interim dividend in May last year, *Kleen-e-ze had forecast* an 8.5p per share final. It paid a total of 12p in the previous 17 months.

The attributable loss of £2.69m will be largely offset by the revaluation of two properties which increased their carried value by £2.2m.

Independent consultants have assigned an "existing use value" of £5m to the brand names Kleen-e-ze and Superseal but this figure is not included in the balance sheet.

Mr Ned Cook, the US investor and former commodities trader who bought control of Kleen-e-ze in 1987 and still owns 45 per cent of its shares, is carrying a loss on paper of about £14m. "He's showing great resilience," Mr Gough said.

What makes Beazer's image less than dandy

Andrew Taylor examines the City's misgivings about the UK construction group

THE DISCLOSURE of Beazer's £29m provision against an investment in a collapsed Australian developer and contractor did nothing this week to improve the UK construction group's troubled image on the London Stock Exchange.

The group's share price fell by 7p to 157p on Wednesday, the day of the announcement, knocking almost 4 per cent off Beazer's stock market value.

The fall in the share price was excessive by comparison *to the small size of the provi*sion but was indicative of the way in which the shares catch a cold every time Beazer announces a setback.

By the end of the week the shares had recovered to 161p.

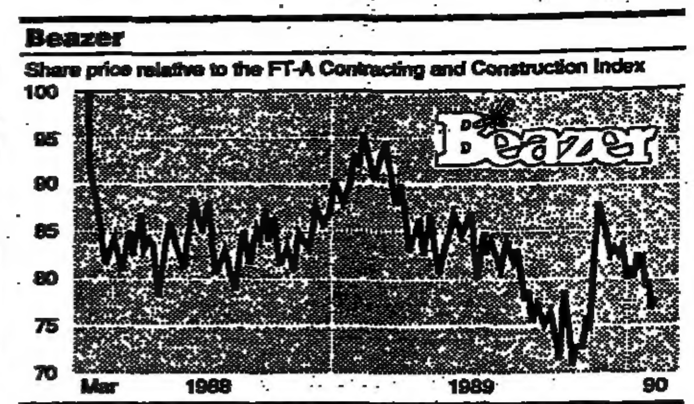
Mr Matthew Thorne, Beazer's investment director, accepts that the group has incurred a high debt and low stock market rating since its controversial $1.8bn takeover in 1988 of Koppers, the US aggregates company.

Since March 1988, when the Koppers bid was announced, Beazer shares have underperformed the FT construction and contracting index by more than 30 per cent. As a result the share price is currently on a low rating of just 6 times *historic earnings. This* compares with a sector average of about 8.

Reservations about Beazer are due to:

- The rapid pace at which the group has grown from a small UK housebuilding company with a turnover of just £26m 10 years ago, to a large broadly based construction group with sales of £1.97bn *in the year to* the end of June 1989.
- The large amounts of Beazer paper which was used to finance many of the acquisitions in the mid-1980s. In the five years from 1983 the number of shares in issue rose from 12m to approaching 300m.
- Doubts about the capacity of Beazer's management to run its new acquisitions. There have been problems at Gifford Hill, the US cement and concrete group, and French Keir, the UK contractor bought in 1986.
- The large rise in Beazer's borrowings, to more than £1bn. This is due to the Koppers deal which initially used off-balance sheet financing.
- Beazer's high valuation of Koppers' reserves of sand, gravel and stone, disputed by some analysts. A lower valuation would increase Beazer's gearing – currently calculated by the company to be just under 100 per cent.
- The exposure of the group to a declining UK housing market. It is estimated that in the last year just over half of group operating profits came from this source.
- Nervousness about very large provisions that have been made to cover possible environmental claims against the chemicals businesses once part of Koppers.

Brian Beazer, chairman: Is Koppers a blessing or a curse?



Beazer's earnings per share have grown at an average rate of 20 per cent a year over the past decade.

The speed at which Beazer has grown, however, has made it very difficult to gauge whether the group possesses the depth of management resources to run all the businesses it has acquired.

Assessments of how purchases are performing under Beazer management are difficult to make as operations *have been rationalised and* newer purchases made.

For example Koppers has undergone several changes since Beazer launched its bid.

Its chemical businesses have been sold for $673m. Koppers' status has changed from an associate to a full Beazer subsidiary after the British group acquired the interests of its financial backers, Shearson Lehman and National Westminster Investment Bank.

Analysis has not been made any easier by Beazer's policy of lumping together earnings from its UK and US housing and property divisions when announcing profit figures. Mr Thorne says the group divides its businesses logically, providing both a geographic and product split.

"If asked, we will try to provide additional information so analysts can work out for themselves how separate areas of the business have performed," says Mr Thorne.

"I can sympathise with the difficulty people have had in trying to track a fast-moving situation, like Koppers. I also *appreciate that difficulty* creates uncertainty, that uncertainty creates doubt and that where is there doubt, criticism often follows."

He asserts that the group's position would be much worse if it did not have earnings from Koppers to offset the impact of the sharp fall in UK house sales.

Analysts have forecast that Beazer's profits for 1989-90 will fall to between £100m and £125m; compared with last time's £142.5m.

Even its critics will admit that Beazer appears to have paid a relatively modest price for Koppers, taking into account *the proceeds* from the sale of non-core businesses. The exit p/e for the Koppers aggregates business has been reduced, following the sale of the chemicals operations, to about 10. This compares to a figure of about 15 for recent acquisitions of US aggregate interests by other UK companies.

The recent sale by Hanson of ARC's US aggregates business appeared to support Beazer's assertion that Koppers' reserves of more than 6bn tonnes of sand, stone and gravel were worth about 40 cents a tonne – justifying, Beazer says, the high value placed on the business in the company's books.

Critics however insist that the purchase is not worth the mountain of debt that Beazer has saddled itself with – particularly in the middle of a UK housing recession.

Investors, as was shown by the brief mid-week run on the group's shares, remain nervous.

City analysts say Beazer should put its innovative financing schemes behind it and should seek to generate steady earnings growth based on consolidating its existing businesses rather than pursuing spectacular and possibly risky acquisitions.

The group however will find it difficult to show its paces in a year which is going to be hard for all UK construction companies. *It has yet to be* proved whether Koppers will be a blessing or a curse in this situation.

US parent plans sale of stake in Triton Europe

By Clare Pearson

TRITON EUROPE, the exploration company, revealed that Triton Energy Corporation of the US was considering *selling its 59.47 per cent stake* in the company.

The company said that Triton Energy had "engaged Credit Suisse First Boston to explore strategic alternatives, including the sale of all or part of its interest". It added: "Triton Energy stressed that no assurance can be given that a transaction will result from this engagement."

Mr Herbert Brewer, chairman of Triton Europe, was appointed to the board of Triton Energy in November. Triton Europe made net profits of £1.63m in 1989, down from £3.56m, and blamed the fall on lower crude oil prices together with their effect on the development programme.

JO Hambro Magan has been engaged by Triton Europe to advise the independent directors and minorities.

Merrett advances to £10m

By Patrick Cockburn

TWO LLOYD'S underwriting agencies reported strong increases in pre-tax profits yesterday but both were cautious about prospects following the series of recent disasters.

Merrett Holdings, the shares of which are traded on a matched bargain basis, announced pre-tax profits more than doubled at £9.87m for the year ended September 30, against £4.42m. The result reflected high insurance premiums and limited losses in 1986 which, under the Lloyd's system of three year accounting, *has just been announced.*

However the company is pessimistic about prospects of an end to the deep depression in insurance premiums.

Merrett also expressed concern about the possible collapse of the hitherto profitable London excess of loss market (LMX) where reinsurers reinsure themselves. It had been hit by a series of major catastrophes since the destruction of the Piper Alpha platform in the North Sea in 1988. Two Merrett syndicates, 1135 and 421, pulled out of the LMX market last year.

Earnings per share increased from 12.76p to 27.87p and the group announced an increased *dividend of 8.25p (3.5p).*

London Wall Holdings, another traded on a matched bargain basis, showed profits increasing from £0.78m to £3.30m in the period to September 30. Helped by the acquisition of four members agencies and a minority investment in a managing agency profits exceeded earlier expectations.

The results for the 1987 Lloyd's accounting year are expected to be profitable. London Wall is less optimistic about the prospects for 1988 and 1989 because of the series of disasters, but not as pessimistic as Merrett about the effect of the disasters on premium rates.

Earnings per share increased to 23.69p (7.9p) and total dividend has been raised to 8p per share (4p).

Ashley Ashwood

James Sherwood, ebullient president of Sea Containers, is to follow up his stout defence of the ferry and container group by taking on another challenge. He confirmed yesterday that the group's first wave-piercing catamaran, launched in Tasmania last weekend, will challenge for the Blue Riband transatlantic speed record in early May. Unlike Mr Richard Branson and Mr Tom Gentry's recent powerboat attempts, the catamaran will be eligible for the Hales Trophy, which is open to passenger ships and is still held by the SS United States' 82-hour crossing more than 30 years ago. Successful or not, the car-carrying catamaran, the Christopher Columbus, will return to the UK to ply the more mundane Portsmouth-Cherbourg route, one of the services to be retained by Sea Containers, from the end of May.

Heavy defence costs well justified

Andrew Hill charts the Sea Containers saga as it nears its end

PERHAPS the only tidy aspect of the tangled takeover of Sea Containers is that the struggle looks like coming to an end on March 15, almost exactly 12 months after the Swedish shipping group Stena revealed it had bought an 8 per cent stake in the ferry and container company.

It was that stake-building, and Sea Containers' reluctance to do an agreed deal, which eventually precipitated last May's hostile bid from Stena and its UK partner Tiphook, a container rental group. After nine months of bitter legal and financial wrangling, the offer has now, in effect, reached a full-stop: late on Thursday Sea Containers announced that Stena and Tiphook had agreed not to buy any more shares in the ferry and container group for at least 10 years.

At the same time, the group's board recommended shareholders to approve the $1.1bn programme of asset sales put to them just over a fortnight ago by Stena and Tiphook and backed – to the surprise of most observers – by Mr James Sherwood, Sea *Containers' founder, president,* and driving force. The meeting to approve the deal will take place in Bermuda, where Sea Containers is registered, on March 15. Shareholders should also get the chance to approve Sea Containers' long-awaited 1988 accounts – a mere 15 months after the financial year ended.

The terms of the deal have altered slightly. Stena, which operates a cruise-style ferry service in the Baltic, will buy most of Sea Containers' Sealink ferry operations for about $570m. That includes the assumption of $60m of debt and some $30m or $40m of inventories, working capital and first half losses. The Securities and Exchange Commission in New York has forbidden Stena from handing over its Sea Containers stake to the target company; instead, the 838,000 shares will be retained and could be sold "in an orderly manner".

Tiphook is paying just under $530m for Sea Containers' dry cargo containers, truck tailer chassis and its tank container leasing, forwarding and manufacturing business.

A bid which has already swelled the wallets of a host of corporate lawyers on both sides of the Atlantic could hardly be expected to end with a simple – and cheap – handshake. *The last fortnight's* negotiations have been almost as complicated as the previous eight months of legal battles.

According to Mr Sherwood, even the list of documents which had to be disclosed was 178 pages long, and he estimates the total cost of defending Sea Containers over the last 36 weeks at between $40m and $50m. But having forced the Anglo-Swedish offer up from $824m for the whole group, to $1.1bn for part of it, he thinks the money was well-spent.

"I have argued for a very long time that this company has a value of between $2bn and $2.5bn on a debt-free basis. That's why we've put up such resistance, and in the end Tiphook and Stena were convinced," he said yesterday.

Even at this stage, Sea Containers' shareholders do not quite know what they will receive as a reward for their patience. The group's board will meet again next Wednesday to decide the details of the recapitalisation, and the size of the cash distribution to stockholders which will follow the asset disposals. Mr Sherwood, as always, is confident that he can achieve his original goal, and realise at least $70 per share for investors. That will be made up of a cash dividend and a stake in the on-going business – a quarter of Sea Containers' original ferry and ports interests and half the marine container leasing and manufacturing operation.

On Wednesday Mr Sherwood will meet face-to-face with the management of Stena and Tiphook for the first time since the bid was launched. Given that all sides believe they have achieved a satisfactory outcome the meeting could provide the opportunity for an exchange of compliments which would have seemed impossible three weeks ago. Mr Dan Sten Olsson, Stena's chief executive, began the reconciliation yesterday: "Mr Sherwood's a very good deal-maker – he's very talented in that respect," *he admitted.*

UK COMPANY NEWS

Lewinsohn claims three Dominion directors knew of private detective work

MR MAX Lewinsohn said yesterday that three other directors of Dominion International Group knew that the company had engaged private detectives to investigate two dissident board members.

The former chairman of the financial services and property company claimed the three men had all met detectives who were investigating the backgrounds and business interests of Mr Rupert Galliers-Pratt and Mr Nigel Cayzer.

At the time, Mr Galliers-Pratt and Mr Cayzer were challenging Mr Lewinsohn for control of Dominion, but all three left the board before its eventual collapse with debts exceeding £100m. Dominion has confirmed that the investigation cost the company more than £100,000.

Mr Lewinsohn indicated that the probe extended over a six-month period, twice as long as previously thought.

"When Dominion discovered the Galliers-Pratts, who were members of the board, were visiting institutions and shareholders, of course we took decisive action to research their business background as an indication of their intentions," Mr Lewinsohn said.

"The information discovered was extremely useful and proved valuable to Dominion."

Mr Keith Lawrence, the only director named by Mr Lewinsohn who is still on the Dominion board, said yesterday that he learned of the investigation only after it was in progress. At Mr Lewinsohn's request, he met a representative of the firm once and knew that detective work was involved. He said he did not know of its precise nature, however.

Mr Anthony Richards joined the board in January 1989, more than a month after the detectives had been engaged. He confirmed he learned an investigation was going on.

Mr Richards resigned from Dominion at the end of last year.

Mr John Bishop said he did not wish to discuss anything about Dominion. He resigned on August 30 last year, three weeks after Mr Lewinsohn quit.

It has been confirmed separately that Mr Lewinsohn told Lord Barnett, deputy chairman and then chairman during the period in question, about the investigation after it was over.

Mr John Clarke, another non-executive director, said yesterday that although Mr Lewinsohn may have mentioned to him that he was making inquiries into the background of Mr Cayzer and Mr Galliers-Pratt, he had no knowledge of the nature and extent of the investigation until he was advised by Mr Carl Openshaw, who was appointed Dominion's managing director last July.

The circumstances of Dominion's decision in 1989 to sell Film Finances, only a year after its purchase, are also becoming more clear. Dominion knew from the start that the acquisition of Film Finances would require the writing off of a large element of goodwill. This would have been exacerbated by higher losses than had been provided for on the film The Adventures of Baron Munchausen.

Dominion hoped, however, to offset this before the year-end by disposing of Spanish land, or if necessary, by raising equity through a rights issue.

When this proved impossible, Dominion decided to sell Film Finances for cash, even though its trading remained profitable. That allowed Dominion to leave the subsidiary unconsolidated, showing it as an asset held for disposal in the 1988-89 accounts.

It also agreed to buy York Associates, a US mortgage services company, for shares and a deferred cash element.

Both deals were dropped when Mr Galliers-Pratt, Mr Cayzer, Mr Roy Richardson, Mr Don Richardson and supporting shareholders, together speaking for about 25 per cent of Dominion's equity, said they would vote against it.

Mr Lewinsohn and several other ex-directors say this decision caused the collapse of Dominion. Not only did the company not get the needed cash injection, Dominion was also obliged to write off £3.4m in advance corporation tax. Mr Openshaw and other ex-directors deny that the abortion of the two deals was instrumental in determining Dominion's fate.

Clay Harris

Colonnade plans to liquidate in face of Stratagem offer

By Andrew Bolger

COLONNADE Development Capital, a small investment company which is the target of a hostile cash bid of 163p a share, yesterday said it planned to liquidate as soon as possible and expected to realise at least 200p per ordinary share.

Stratagem Group, an investment company, last week made its £8.24m offer for Colonnade, which rejected the offer as inadequate.

Colonnade shares closed 16p higher at 185p, Stratagem was unchanged at 185p.

In December Stratagem led shareholder opposition which blocked a plan by Colonnade to reorganise its management and purchase British & Commonwealth Holdings' development capital arm, Colonnade's investment manager.

Stratagem gained the support of institutions, including Legal & General, when it objected to Colonnade's proposals and they were withdrawn. At that time, Stratagem made a conditional offer of 142p per share for Colonnade in order to affect a liquidation.

Mr Roger Morton, a director of Colonnade, said yesterday that the board's proposals for the company would be published early next week. They would include a substantial interim payment by way of a reduction of capital which would be paid as soon as the necessary court approval was obtained.

The company would be liquidated as soon as practical thereafter.

Mr Bernard Kerrison, chairman of Stratagem, said yesterday that the proposed capital reduction would be worth a maximum of 99p per share and the necessary court approval could take three months. He had already been told by Colonnade that it could take 12-18 months for it to dispose of its equity holdings.

Colonnade said this week that following the disposal of a £1.55m stake in TIP Europe, its portfolio contained cash, cash receivables and quoted government securities with a total value of £7.1m.

Colonnade also said it held equity investments in Imtec Group, which makes drawing office equipment; Sherwood Computer Services; JT Ellis, a furniture maker; Reedpack, a paper company; and Pelham Communications, a marketing services group.

Mr Kerrison said he thought the Colonnade portfolio contained massive risks as to timing and marketability.

Colonnade now had a 16.5 per cent stake in Imtec, but nearly half of the company's shares were owned by two other B&C funds – B&C Ventures Investments, which owns 43 per cent, and B&C Development Capital, which owns 5.8 per cent.

A long engagement with no immediate sign of consummation

Raymond Snoddy and **Laura Raun** examine the relationship between Pearson and Elsevier

THE ALLIANCE between Pearson, the publishing, banking and industrial group, with Elsevier, the third largest publisher in the Netherlands, is turning into a long engagement with no immediate signs of a consummation.

When the strategic relationship was first announced on September 14 1988 romantic language was in the air.

Lord Blakenham, chairman of Pearson, described the deal as "an engagement."

Mr Pierre Vinken, chairman of Elsevier, added: "We want to get married as soon as possible."

The two companies set themselves a generous time frame of seven years for any move towards a total merger. But nearly 18 months after the happy couple plighted their troth it is very difficult to see many concrete signs of progress towards closer union which they said at the time would be through successful collaborative ventures.

Elsevier's quality newspaper, NRC Handelsblad, reported this week that any merger between the two companies was now off, mainly, it was suggested, because of Dutch sensitivity over the company ever losing its identity.

In response, Mr Vinken said of the story that he never commented on rumours while Mr Frank Barlow, the recently appointed chief operating officer of Pearson, said the position was "the same as before. We know what the problems are. It can't be early but neither is it [a merger] off."

Lord Blakenham, who is also chief executive of Pearson, insists that "the general relationship [with Elsevier] is extremely good."

The Pearson chairman, speaking in his office on the 17th floor of London's Millbank Tower, added: "There are no secrets between us and we regard Elsevier as our European partners looking towards 1992 and beyond. When we went into the relationship we regarded it as a long term partnership and we still do."

Lord Blakenham said it had always been made very clear from the beginning that it might or might not lead to a merger.

"Nothing is happening rapidly. I don't see a complete merger in the immediate future," the Pearson chairman said.

Ironically, one large barrier standing in the way of a merger has been Elsevier's financial success since the two partners first disclosed their relationship.

Pearson's 22.4 per cent stake in Elsevier is now worth 50 per cent more than some 18 months ago and at the same time the Dutch guilder has appreciated against the pound. The combined effect would make any merger very expensive for Pearson even if both parties were willing. Elsevier has taken its stake in Pearson to 9.4 per cent.

Lord Blakenham declares himself very happy with his investment and adds that the second achievement of the alliance has been the close working relationship he has established with Mr Vinken.

"I am sure there are things we can develop between us but I'm not going to be tied down to a particular time frame," Lord Blakenham insists.

Only one modest joint venture has been established so far – a financial news telephone service in the Netherlands in association with the Amsterdam Stock Exchange."

Mr Barlow said that plans for a joint Dutch financial weekly due to be launched this spring were "still being researched." Proposals were, however, being considered to link the specialist medical publications of both Pearson and Elsevier on a worldwide basis. The intention is to create two medical publishing divisions: one paid for by advertising and the other by sponsorship.

Although no-one at either company will discuss details there are also suggestions that the two companies could collaborate on major publishing acquisitions.

When asked yesterday about the state of the relationship between the partners Mr Vinken, once a brain surgeon before turning to medical publishing, said: "I don't speak to newspapers voluntarily."

Mr Vinken said he "blindly" agreed with whatever Lord Blakenham said about the alliance.

"We have become each other's family; we have no secrets; we see each other's plans," he emphasised.

Elsevier was, however, prepared to deny yesterday that there was any truth in market speculation that it was preparing a bid or merger talks with Wolters Kluwer, a fellow Dutch publisher in which it has a one-third stake.

Some securities analysts believe that the original Pearson-Elsevier deal was partly motivated by a desire to fend off unwelcome attentions from potential predators

Ashley Ashwood

Lord Blakenham (left), chairman of Pearson, and Pierre Vinken, his counterpart at Elsevier

Queens Moat promises higher Norfolk dividends

QUEENS MOAT Houses yesterday promised shareholders in Norfolk Capital Group, the rival hotel company, the opportunity of an immediate uplift in capital value, and a significant increase in dividend income if they accepted its all-share bid, writes Andrew Hill.

Mr John Bairstow, Queens Moat's chairman and managing director, said in a letter to Norfolk shareholders, accompanying yesterday's formal offer document, that acceptance of the offer would lead to an increase of more than 42 per cent in dividend income.

"The board of Queens Moat believes that a change of management is necessary if Norfolk Capital's assets are to be managed more effectively and profitably," he said.

Queens Moat announced its hostile offer last week, taking advantage of the uncertainty fostered by an attempted management coup at Norfolk. At a special meeting on Monday shareholders voted against the management takeover, planned by Balmoral International, a private company, which owns 13 per cent of Norfolk.

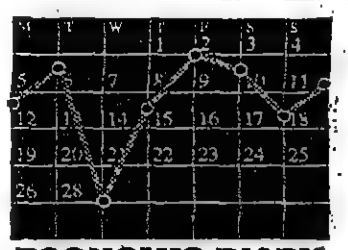
The group's five-person board was split over the Balmoral plans, with two non-executive directors wanting to oust Mr Peter Eyles, the managing director. However after Monday's egm two more executive directors were appointed to the Norfolk board, strengthening support for Mr Eyles.

The Queens Moat offer – two shares for every five held – is worth 41p a share, against yesterday's Norfolk share price of 42¾p, down 1p. Queens Moat already owns about 4.45 per cent of Norfolk's equity.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding dividend	Total for year	Total last year
Buckingham Intl ......fin	1.6	Apr 9	nil	1.6	nil
Kleen-e-ze Hldgs......fin	nil	-	6	nil	12‡
Wholesale Fittgs......int	3.23	Apr 11	3.23	-	15.98

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ¶Third market. ‡For 17 months.



ECONOMIC DIARY

TODAY: Campaigning begins in Japanese general elections.

TOMORROW: Presidential elections in Costa Rica.

MONDAY: Housing starts and completions (December). Retail sales (December-final). Credit business (December). US productivity and costs (fourth quarter). European Community general affairs council meets in Brussels. Soviet Communist Party central committee meets in plenary session to discuss Lithuania and the autumn party congress. Mr Ronald Li, Hong Kong Stock Exchange chairman, on trial in Hong Kong. Overseas Bankers' Club dinner at Guildhall.

TUESDAY: Mr Douglas Hurd, Foreign Secretary, visits Bonn for talks with Mr Helmut Kohl, West German Chancellor. Mr George Bush, US President, travels to California and Nebraska (until February 8). Start of UN-sponsored conference on disarmament with particular emphasis on chemical weapons, Geneva.

WEDNESDAY: Overseas travel and tourism (November). Advance energy statistics (December). Details of employment, unemployment, earnings, prices and other indicators. Family expenditure survey 1988. Likud Party central committee meets on Prime Minister Shamir's confidence motion. Soviet parliamentary delegation on visit to London.

THURSDAY: Financing of the CGBR (fourth quarter). UK banking sector statistics (fourth quarter). Money stock (fourth quarter). The Economist holds conference "Managing services: the key to total customer satisfaction" at Marriott Hotel, London. Argentine and British officials hold further talks in Madrid aimed at restoring diplomatic relations (until February 9).

FRIDAY: Capital issues and redemptions (January). US producer price index (January). Arab League ambassadors meet on Eastern Europe in Tunis. East German liberal democrats, junior partner in governing coalition, hold congress in Dresden (also February 10). Labour local government conference in Cardiff (until November 11).

LONDON TRADED OPTIONS

THE LONDON Traded Options Market had a quiet session yesterday as the stock market languished for most of the day in a narrow range. An early rally on Wall Street after the release of the latest US employment figures sent the London market higher, though dealers said this did not spur much additional equity business. The cash market's reluctance for much of the day to give a stronger lead left derivatives traders with little to do.

Total turnover in the options market stood at 25,637 contracts, of which 14,778 were calls and 10,859 were puts. Yesterday's total compared with 38,706 on Thursday and is one of the lowest so far this year. Traders said the lack of business had made it difficult to execute some of the larger orders on their books.

The FT-SE 100 index option was the busiest of all contracts. However, at 3,668 lots, turnover was one half of the previous day's total, reflecting the lack of interest in the equity market. Dealers said the cash market's recent modest recovery from the losses posted earlier in the year had not spurred additional investor interest in the options market. Instead, dealings tended to be smaller in size, although some speculative trading in out-of-the-money options did take place.

But in spite of the recent slower pace of business, the number of contracts outstanding at the close of business on Thursday did increase, reflecting a commitment by investors to stay in the options market. Total market open interest on Thursday stood at 762,777 contracts, compared with 749,740 on Wednesday. In the FT-SE contract, open interest rose to 110,100 from 107,796.

Interest was provided by a limited number of stock options, of which Blue Circle was the most active. It traded 1,607 contracts, of which 803 were calls and 804 puts.

Turnover in the stock was boosted by an 800 lot order executed by Hoare Govett. The transaction involved the purchase of the September 240 calls at 24p and the sale of the September 240 puts at 18p. The underlying stock traded 2m shares and closed unchanged at 235p.

Option		Calls Apr	Calls Jul	Calls Oct	Puts Apr	Puts Jul	Puts Oct
Alld Lyons	460	57	65	80	7	15	18
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Option		Calls Apr	Calls Jul	Calls Oct	Puts Apr	Puts Jul	Puts Oct
Ultramar	360	37	53	63	[illegible]	15	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Option		Calls Mar	Calls Jun	Calls Sep	Puts Mar	Puts Jun	Puts Sep
Abbey Nat.	180	17	23	27	5	7	9
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Fri Feb 2 1990 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at 25%)	Est. P/E Ratio (Net)	xd adj. 1990 to date	Thu Feb 1 Index No.	Wed Jan 31 Index No.	Tue Jan 30 Index No.	Year ago (approx) Index No.	1989/90 High	1989/90 Low	Since Compilation High	Since Compilation Low
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
71 Investment Trusts (68)	1237.46	+0.1	–	2.96	–	0.45	1235.63	1229.40	1228.12	1069.78	1323.81 4/1/90	922.04 3/1/89	1323.81 4/1/90	71.12 13/12/74
91 Overseas Traders (5)	1437.99	+2.2	10.59	6.36	11.11	30.79	1406.35	1414.49	1421.33	1372.54	1614.04 3/1/90	[illegible] 17/10/89	[illegible] 3/1/90	97.37 6/1/75
99 ALL-SHARE INDEX (687)	1174.99	+0.4	–	4.40	–	1.55	1170.77	1167.15	1161.24	1067.88	1226.83 3/1/90	921.22 3/1/89	1238.57 16/7/87	61.92 13/12/74

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Feb 1	Jan 31	Jan 30	Jan 29	Jan 26	Year ago	1989/90 High	1989/90 Low	Since Compilation High	Since Compilation Low
FT-SE 100 SHARE INDEX‡	2355.1	+9.3	2356.2	2342.3	2345.8	2337.3	2322.0	[illegible]	2314.5	2069.9	2463.7 3/1/90	1694.5 8/2/89	2463.7 3/1/90	986.9 23/7/84

FIXED INTEREST

	PRICE INDICES	Fri Feb 2	Day's change %	Thu Feb 1	xd adj. today	xd adj. 1990 to date
	British Government					
1	Up to 5 years	115.45	+0.01	115.45	–	1.33
2	5-15 years	125.16	-0.05	125.22	–	1.31
3	Over 15 years	134.13	-0.17	134.36	–	0.33
4	Irredeemables	151.67	-0.10	151.83	–	0.00
5	All stocks	124.50	-0.04	124.56	–	1.22
	Index-Linked					
6	Up to 5 years	141.74	-0.10	141.88	–	0.00
7	Over 5 years	137.81	-0.40	138.37	–	0.47
8	All stocks	137.99	-0.38	138.52	–	0.44
9	Debentures & Loans	102.73	....	102.73	–	0.35
10	Preference	82.09	-0.13	82.20	–	0.16

	AVERAGE GROSS REDEMPTION YIELDS		Fri Feb 2	Thu Feb 1	Year ago (approx.)	1989/90 High	1989/90 Low
	British Government						
1	Low	5 years	10.66	10.62	9.03	10.86 24/1/90	8.88 9/2/89
2	Coupons	15 years	10.26	10.24	8.84	10.38 24/1/90	8.77 9/2/89
3		25 years	10.14	10.12	8.78	10.23 24/1/90	8.73 16/2/89
4	Medium	5 years	11.71	11.67	10.03	11.98 24/1/90	9.96 8/2/89
5	Coupons	15 years	10.64	10.61	9.27	10.70 18/1/90	9.21 8/2/89
6		25 years	10.26	10.23	8.93	10.29 24/1/90	8.85 17/2/89
7	High	5 years	11.84	11.81	10.20	12.11 24/1/90	10.13 8/2/89
8	Coupons	15 years	10.85	10.83	9.47	10.88 18/1/90	9.41 8/2/89
9		25 years	10.41	10.39	9.08	10.41 2/2/90	8.99 27/1/89
10	Irredeemables†		10.18	10.16	8.79	10.26 18/1/90	8.68 15/3/89
	Index-Linked						
11	Inflation rate 5%	Up to 5yrs.	4.01	3.95	3.51	4.24 24/1/90	2.75 21/8/89
12	Inflation rate 5%	Over 5 yrs.	3.78	3.75	3.57	3.84 5/6/89	3.41 21/8/89
13	Inflation rate 10%	Up to 5 yrs.	3.11	3.04	2.67	3.35 18/1/90	1.91 21/8/89
14	Inflation rate 10%	Over 5 yrs.	3.61	3.58	3.41	3.67 5/6/89	3.23 21/8/89
15	Debs &	5 years	13.30	13.30	11.65	13.82 3/11/89	11.47 30/12/88
16	Loans	15 years	12.68	12.68	11.20	12.71 29/1/90	11.19 1/2/89
17		25 years	12.67	12.67	10.80	12.70 29/1/90	10.64 27/2/89
18	Preference†		11.30	11.29	10.08	11.30 2/2/90	10.00 17/3/89

‡Opening index 2346.1; 10 am 2345.0; 11 am 2346.5; Noon 2351.4; 1 pm 2350.4; 2 pm 2347.0; 3 pm 2346.8; 3.30 pm 2351.4; 4 pm 2353.4 (a) 4.10pm (b) 9.17am

Equity section or group	Base date	Base value	Equity section or group	Base date	Base value	Equity section or group	Base date	Base value
Engineering - Aerospace	29/12/89	486.00	Other Industrial Materials	31/12/80	287.41	Food Retailing	29/12/67	114.13
Engineering - General	29/12/89	486.00	Health/Household Products	30/12/77	261.77	Insurance Brokers	29/12/67	96.67
Water	29/12/89	1968.45	Other Groups	31/12/74	63.75	All Other	10/4/62	100.00
Agencies	31/12/86	1114.07	Overseas Traders	31/12/74	100.00	British Government	31/12/75	100.00
Conglomerates	31/12/86	1114.07	Industrial Group	31/12/70	128.20	Do. Index-linked	30/4/82	100.00
Telephone Networks	30/11/84	517.92	Other Financial	31/12/70	128.06	Debs & Loans	31/12/77	100.00
Electronics	30/12/83	1646.65	Food Manufacturing	29/12/67	114.13	Preference	31/12/77	76.72
						FT-SE 100 Index	30/12/83	1000.00

† Flat yield. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL, price 15p, by post 34p.

CONSTITUENT CHANGES: UK Paper (31) has been deleted and replaced by Hardy Oil & Gas (51). NAME CHANGE: Northern American Trust (71) has become Dunedin Worldwide Investment Trust.

Bell Resources files five wind-up petitions on Bond

By Chris Sherwell in Sydney

MR Alan Bond, the Perth businessman battling for corporate survival, was dealt another wounding body-blow yesterday when Bell Resources, one of his empire's subsidiaries, filed a clutch of petitions to wind up the flagship, Bond Corporation, another subsidiary, Bond Media, and two private family companies.

The action came in the form of five separate petitions lodged with the Western Australian Supreme Court. Bell Resources – which since December has operated under a new and more independent board – alleged that payments had fallen due and that the named Bond companies were insolvent and unable to pay.

The largest amount involved was A$24.16m (US$18.60m), which Bell said was due from Bond Corporation on January 8. The other amounts, trivial by comparison, were said to be due from Bond Corporation, Bond Media, Dallhold Investments and Dallhold Nickel Management.

Bell Resources' actions are potentially the most lethal to be launched against Mr Bond's companies since December 29, when a bank syndicate led by the National Australia Bank (NAB) won the appointment of receivers to Bond Brewing Holdings, Bond Corporation's brewing subsidiary.

In relation to the A$24m payment, Bond Corporation *said* yesterday that it was "of the view" that Bell Resources had previously agreed to a *deferral* of the payment until the end of June. It declared that it would fight the petitions.

Behind the *developments* is a festering dispute over A$1.2bn in cash which was shifted out of Bell Resources after Bond Corporation acquired control of the company in 1988.

In moves which are now the subject of an investigation by the regulatory authorities, Bond Corporation is believed to have used the sum to pay off bank debts before making it a "deposit" for a A$3.5bn purchase by Bell Resources of Bond's brewery assets.

This deal, first announced in May last year, was not consummated, and has since undergone numerous changes, one of which involved an aborted A$2.5bn joint venture with Lion Nathan of New Zealand.

As prospects began dimming both for a brewery sale and for the Bond empire as a whole, recovery of some or all of the A$1.2bn became an obsession for Mr John Spalvins, the entrepreneurial head of Adelaide Steamship, which had built up a strategic 20 per cent stake in Bell Resources.

In December, Adsteam threatened court action to have a receiver appointed to Bell Resources. In the process it won equal representation on the board with Bond executives plus an independent chairman. The new board has *since revised the brewery plan* twice, and it currently entails a A$2bn purchase of just the Australian brewing assets.

For Mr Bond, yesterday's developments clearly add a further series of complicated – *and expensive* – legal *battles* to an already long list.

In Sydney on Thursday a bank syndicate led by NAB demanded through the courts the repayment of a A$385m facility from Bond Media. The company, 52 *per cent owned by* Bond Corporation and operator of the Channel Nine television network, challenged the demand.

Mr Bond is also awaiting the outcome of his challenge to the December *29* appointment of receivers to Bond Brewing Holdings. That action is under way in the Victorian Supreme Court in Melbourne.

In legal actions in Perth, Mr Bond has successfully won injunctions preventing two separate groups of US noteholders pursuing a petition to wind up Bond Brewing and the Swan Brewery. It won outright a court action stopping the winding up of Bond Corporation by the State Government Insurance Commission.

● Compania de Telefonos de Chile, *which is majority owned* by Mr Bond, is to float around 10 per cent of its shares on the *New York Stock Exchange*, the company said.

The New York flotation, the first of its kind for a Latin American company, would raise around $85m to $90m for CTC.

The *company expects to file* with the SEC this week and complete the flotation in the third week of April.

Creditors of Koor consider compromise

By Hugh Carnegy in Jerusalem

THE FEUDING foreign and Israeli creditors of the near-bankrupt Koor Industries are this weekend considering a compromise resolution of the group's billion-dollar debts *after three days of talks* which ended in midnight meetings with Mr Shimon Peres, the Finance Minister.

Early yesterday, Mr Peres emerged from a session with the foreign banks, led by *Manufacturers Hanover of New* York, saying he believed a compromise had been reached. "I think we finished with the foreign banks," he said.

However it quickly became clear that an important gap *remains between the two* camps, which have also shown signs of internal differences.

Meanwhile, the insolvency clock continues to tick for trade union-owned Koor, Israel's biggest industrial group, which has halted all payment of its debt dues since the beginning of the year.

The proposal hangs on a deal under which the foreign banks, owed $205m by Koor, would *write off* 37.5 per cent of their dues, receive 42.5 per cent back in cash and reschedule the remaining 20 per cent over five years, with a "first out" priority over the local creditors.

The Israeli banks would write off close to $200m of their $700m exposure, and they and the Government would apparently make arrangements to cover US and Israeli bonds worth about $240m.

Even if the Israeli banks accept this, a key sticking point is the foreign banks' insistence that all of their outstanding 20 per cent exposure be secured.

The Israeli creditors have offered to secure three-quarters of the 20 per cent portion, but not more.

The two sides spent hours arguing over similar formulations before reaching stalemate on Thursday evening. The foreign banks then decided to seek a last-minute meeting with Mr Peres to seek his intervention.

When they arrived at the minister's Tel Aviv office near midnight, they were confronted by Mr Benjamin Gaon, the Koor managing director, Mr Yossi Dauber, the Bank Hapoalim executive who leads the Israeli creditor's group and other senior Israeli players filing out.

They hammered out the final formula with Mr Peres. The group, which had arrived in Israel saying they were not ready to accept write-offs, stressed they had given a lot of ground.

Australian grapeshot starts to fly

Chris Sherwell on a wine industry in ferment after rapid growth

Summer in Australia: the sky is blue, the sunshine bright – and on vineyards across the land, the grapes are ripening. Harvest time is under way. The 1990 vintage is just around the corner.

This year, it will come from an industry which is undergoing significant change. The past month alone has seen big developments involving the *country's* largest wine producers.

The most important was the acquisition by Penfolds Wines, the country's largest wine producer, of Lindemans, the fourth largest.

Lindemans' persistent losses and the Australian economic downturn were a worry to its parent, Philip Morris, the US tobacco group. So when Penfolds, which is owned by the Adelaide Steamship group, offered *in excess of* A$100m (US$77m), it sold.

The result is a remarkable combination of brand names, production locations and marketing strengths. Penfolds produces wines under its own name, plus Wynn's, Seaview, Kaiser Stuhl and Tulloch. Now it has added Lindemans' range of wines, plus the Leo Buring and Matthew Lang names.

Apart from increasing *its* domestic strength, Penfolds' acquisition enhances its chances of becoming a significant world name. Lindemans' export efforts, especially in the US, will reinforce its own endeavours, which include the purchase last year of a 50 *per* cent stake in the Geyser Peak winery in California.

A second key development in the industry was the recent move by Orlando Wines, the country's second largest producer, to acquire control of Wyndham's Estate. Orlando, owned by Pernod Ricard of France, made a cash bid for Wyndham which valued the target at more than A$70m.

Orlando, based in South Australia and producer of the well-known Jacob's Creek wines, linked up with Pernod's last year. Previously its management bought control from Reckitt & Colman of the UK. Wyndham's is based in the Hunter Valley, and became a takeover target after its parent,

Glyn Genin

Grape growers face a glut as the boom in wine exports has ended

Quadrax Investments, ran into difficulty.

In addition Hardy's, now the country's third largest winemaker and still family-owned, recently expanded its interests abroad by acquiring, for an undisclosed price, control of Italy's oldest family-run winery, Casa Vinicola Barne Picasoli, located in Chianti.

It was Hardy's sixth acquisition of a foreign-owned wine business since 1976, and followed the purchase of two UK-based wine importers. The *aim* is to insulate its markets against any post-1992 restrictions and increase its European distribution capability.

Similarly, Mildara Wines of Victoria has recently strengthened its ties with Sanraku, the Japanese wines and spirits group. Sanraku has a shareholding in Mildara of more than 10 per cent, giving Mildara a means of breaking into the potentially lucrative Japanese wine market.

All these developments underscore two important trends in Australia's wine industry. One is its increasing concentration. Even before recent *events*, just 20 of the country's 550 wineries produced around 90 per cent of Australia's wines, and people referred to the big ones – Penfolds, Lindemans and Orlando – *as* "the PLO."

The other is the industry's heightened foreign orientation, the result of a currency-driven expansion in exports which began with the 1985-86 plunge in the value of the Australian dollar.

Back in 1976, Australian wine exports were barely 5m litres. In 1986 they stood at 10m litres. But in the year to June 1987 they soared above 20m and in 1988 they almost reached 40m litres. The boom helped winemakers counter the grip of a small group of buyers – wholesalers, retailers and mail-order groups – who have long dominated the domestic market. It was also a boon for independent grape-growers, who saw the price of Chardonnay grapes, for example, soar from A$600 a tonne in 1986 to A$2,000 last year.

Unfortunately, the boom has not lasted, which is why a shake-out is under way.

First, a strengthening dollar – and the passing of a love-Australia fashion – has seen exports in the year to June 1989 hit a *plateau of 41m litres*, while in the current year they have actually been falling. A sustained period of high interest rates has put further strain on individual producers.

Then growers wrongly concluded that the export boom would go on for ever. It has not, and now they are faced with an oversupply of grapes. In addition, the long lead-times before their newly-planted vines become productive mean the glut is likely to continue.

Overlaying this is a complex change in consumer tastes: first, in the beverage market as a whole, where alcohol consumption is declining; second, among those drinking alcohol, where wine consumption peaked four years ago; and finally among wine drinkers, where preferences have shifted away from boxed and towards bottled wine.

The bottled wine market is itself divided; between wines bought on price and those bought on quality. The dividing line in Australia is about A$5.99 (around £3) a bottle, which compares with equivalent levels in Britain of perhaps £5 to £6.

Winemakers who wish to produce wine as a profitable business rather than a loss-making hobby are having to decide whether to target the market for boxed (or cask) wines, cheap bottled wines or premium quality brand-name wines, and whether to tackle the export market.

Given the revived strength of the Australian retailers, most face a tough challenge at home building brand-names, and it will become tougher if the retailers decide to copy, for example, Marks and Spencer in the UK, by introducing their own *brands. Abroad*, the challenge is still greater without a currency depreciation and excellent distribution networks.

In short, winemakers are confronted with some complicated calculations. Groups like Penfolds, Hardy's, Orlando and others have clearly decided their recent strategic moves. Their aim is not just survival, but success. On the outcome hangs the chances of the Australian wine industry acquiring world stature.

Fokker sells 50% of leasing unit

FOKKER, the Dutch aerospace company, is selling 50 per cent of an aircraft leasing subsidiary to a consortium comprising Rolls-Royce and National Westminster Bank of the UK, Chrysler of the US and Mitsubishi of Japan, writes Laura Raun in Amsterdam.

The consortium, known as *Rolls-Royce* and Partners Finance, is expected to strengthen the leasing, trading and financing activities of AFT, Fokker's leasing subsidiary. The joint venture will provide Fokker 50s and Fokker 100s as well as other aircraft, with custom-designed configurations on request. Leasing arrangements as well as financing will be provided.

Fokker said the sales price exceeded AFT's book value, implying more than Fl 50m ($26.4m). In 1988 AFT's book value was about Fl 107m.

Rolls-Royce, which provides engines for the Fokker 100 airplane, owns 40 per cent of *RRPF* while NatWest, *Chrysler* and Mitsubishi each own 20 per cent.

Revenue grows 18% at European pay TV group

By William Dawkins in Paris

CANAL+, Europe's first pay television channel, yesterday reported an 18 per cent rise in revenues for 1989, its fifth year of operation, but warned that growth would slacken this year.

Last year, the number of French homes connected to the Canal+ network rose by 299,000 to nearly 2.9m. Another 105,000 subscribers have since plugged into Canal+, so the channel has now reached the limit, set by the company itself, of 3m subscribers for France.

This means it will be looking abroad, to new ventures in Belgium, West Germany and Spain for the next phase of growth, said officials.

The company set the French ceiling to help negotiations about access to sports events and broadcasting rights for new feature films.

Canal+, the most profitable of France's four private television channels, is the only one to broadcast films a year after release, for which it pays a fee of 10 per cent of annual turnover to cinema federations and distributors.

Revenues – mostly subscription income – rose to *FFr5.12bn* ($898m) from FFr4.84bn in the year to last December, on which consolidated profits are estimated to have risen by 19.5 per cent to FFr740m. Profits growth is expected to slacken this year to 9 per cent, including the first start-up costs of the new foreign ventures. Canal+ Belgique started broadcasting last September and now has 15,000 subscribers. The Spanish channel aims to start this spring, to be followed by its German counterpart.

Last year's underlying group sales growth was 14.7 per cent, stripping out the first contribution from Antennes Tonna, a *French producer of television* antennae and cables acquired for FFr500m last October.

W German sugar refiner plans rights issue

SUDZUCKER, West Germany's biggest sugar refiner, yesterday announced a DM373m ($222m) rights issue just two months after agreeing to buy the sugar refining activities of Belgium's Raffinerie Tirlemontoise, writes Andrew Fisher in Frankfurt.

The German company said the proceeds of the issue would help pay for the Tirlemontoise *purchase*, the *rest of* which would come from cash flow. Südzucker, in which a co-operative of sugar farmers owns 60 per cent of the voting stock and Deutsche Bank around 20 per cent, will issue preference shares at DM540 each on a one-for-four basis later this month.

Südzucker needs around DM900m to pay for the Tirlemontoise deal. It is buying 75 per cent of the Belgian company from the family shareholders *and has made* an offer for the remaining shares which are widely held. It then intends to sell off 40 per cent of Tirlemontoise, probably to more than one investor in Europe.

The German company, which claims a 40 per cent share of the German sugar market, had a DM103m rights issue in October that was unconnected with its Belgian expansion. Next to the Ferruzzi Group of Italy and Britain's Tate and Lyle, the new German-Belgian grouping will create a strong third presence in the European sugar industry.

Canadian pulp group reports 32% fall

CANADIAN Pacific Forest Products, the pulp and paper arm of Canadian Pacific, says 1989 earnings were down 32 per cent because of soft markets for most products and the strength of the Canadian dollar, writes Robert Gibbens in Montreal.

The only really strong sector was market pulp. Net profit for 1989 was C$220.1m or $5.01 a share, down from $323.4m or $7.36 a share in 1988. Sales were $2.9bn against $3bn.

WORLD COMMODITIES PRICES

WEEKLY PRICE CHANGES	Latest prices	Change on week	Year ago	High 1989/90	Low 1989/90
Gold per troy oz.	$417.75	+1.50	$358.75	$420.25	$356.5
Silver Per troy oz	315.90p	-1	332.90p	376.15p	313.90p
Aluminium 99.7% (cash)	$1444.5	-14.5	$2177.5	$2610	$1394.5
Copper Grade A (cash)	£1364.5	+4.5	£1802.5	£1982.5	£1301
Lead(cash)	£430	+12	£367	£487.5	£337
Nickel (cash)	$6612.5	+212.5	$18400	$19350	$5987.5
Zinc (cash)	$1356	+81	$1805	$2107.5	$1265
Tin (cash)	$6245	-350	£4420	$10750	$6240
Cocoa Futures (May)	£633	-16	£851	£947	£623
Coffee Futures (Mar)	£588	-6	£1156	£1270	£572
Sugar (LDP Raw)	$358.6	-2.0	$256.8	$381.0	$235.8
Barley Futures (May)	£111.75	+1.10	£111.6	£113.65	£100.95
Wheat Futures (May)	£119.30	+0.75	£115.7	£121.65	£104.7
Cotton Outlook A Index	75.80c	+1.55	63.90c	84.95c	61.35c
Wool (64s Super)	588p		682p	710p	568p
Rubber (Spot)	53.50p	+0.25	61.25p	64p	52.5p
Oil (Brent Blend)	$20.075z	+0.30	$16.70	$21.975	$16.125

Per tonne unless otherwise stated. †Unquoted. p-pence/kg, c-cents lb. z-Mar.

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 25,050 tonnes
Cash	1443-6	1405-6		1420-1		
3 months	1458-5	1425-6	1460/1450	1437-8	1455-7	276 lots
Copper, Grade A (£ per tonne)						Ring turnover 38,275 tonnes
[illegible]						

SPOT MARKETS [illegible]

COCOA – London FOX [illegible]

COFFEE – London FOX [illegible]

SUGAR – London FOX [illegible]

CRUDE OIL – IPE [illegible]

GAS OIL – IPE [illegible]

POTATOES – BFE [illegible]

LONDON BULLION MARKET [illegible]

SOYABEAN MEAL – BFE [illegible]

FREIGHT FUTURES – BFE [illegible]

TRADED OPTIONS [illegible]

GRAINS – BFE [illegible]

PIGS – BFE [illegible]

US MARKETS

GOLD FUTURES ENDED a quiet session unchanged to slightly lower after early firmness, reports Drexel Burnham Lambert. Silver saw some early local buying. Platinum featured pre weekend position squaring. Copper futures rose with short-covering, influenced in the main buy a firmer US Stock market and expectations of lower LME Stocks. The energy complex was quietly higher on short covering and position squaring. Coffee futures rallied early in response to a Brazilian crop estimate report, but failed to follow-through as indications emerged of overhead price-fix selling. Sugar tested both ends of the recent trading range with modest activity. Cocoa closed mixed. The grains were lower in lacklustre trading, weighed-down in the main by good prospects for new crop production in the US. Wheat futures were firm in anticipation of a forthcoming tender. The meats continued their trends of the last few days in very quiet trading.

New York

GOLD 100 troy oz.; $/troy oz. [illegible]

PLATINUM 50 troy oz; $/troy oz. [illegible]

SILVER 5,000 troy oz; cents/troy oz. [illegible]

INDICES [illegible]

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Feb	101.05	100.00	101.00	101.00
Mar	100.05	97.70	100.70	98.80
Apr	99.35	97.20	99.40	98.50
May	98.55	96.50	99.00	97.50
[illegible]				

CRUDE OIL (Light) 42,000 US galls $/barrel [illegible]

HEATING OIL 42,000 US galls, cents/US galls [illegible]

COCOA 10 tonnes;$/tonnes [illegible]

COFFEE "C" 37,500lbs; cents/lbs [illegible]

SUGAR WORLD "11" 112,000 lbs; cents/lbs [illegible]

COTTON 50,000; cents/lbs [illegible]

ORANGE JUICE 15,000 lbs; cents/lbs [illegible]

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Mar	560/2	559/6	561/4	558/0
[illegible]				

SOYABEAN OIL 60,000 lbs; cents/lb [illegible]

SOYABEAN MEAL 100 tons; $/ton [illegible]

MAIZE 5,000 bu min; cents/56lb bushel [illegible]

WHEAT 5,000 bu min; cents/60lb-bushel [illegible]

LIVE CATTLE 40,000 lbs; cents/lbs [illegible]

LIVE HOGS 30,000 lb; cents/lbs [illegible]

PORK BELLIES 40,000 lbs; cents/lb [illegible]

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Employment data lifts dollar

STRONGER THAN forecast US employment data pushed the dollar a little higher on foreign exchanges yesterday. Non-farm payrolls rose 275,000 in January, about 100,000 more than expected. The figure was distorted by mild January weather, creating more than usual jobs in the construction industry. Nevertheless, the numbers were was still considered strong enough to deter the Federal Reserve from relaxing its credit stance in the immediate future.

The impact in the market was not very great, but at the close in London the dollar had advanced to DM1.6860 from DM1.6800; to Y145.35 from Y144.85; and to FFr7.7350 from FFr5.7075, but had eased to SFr1.4960 from SFr1.4975. According to the Bank of England the dollar's index rose to 67.2 from 67.0.

Sterling maintained its recent firm undertone, supported by attractive London interest rates. There was no reaction to news that UK official reserves rose $80m in January. Forecasts for the figure had varied widely, but dealers were not surprised that the pound had not required general support from the Bank of England.

The pound eased slightly to $1.6815 from $1.6825 and to SFr2.5150 from SFr2.5200 against a generally strong dollar and Swiss franc, but rose to DM2.8350 from DM2.8275; to Y244.50 from Y243.75; and to FFr9.6425 from FFr9.6025. Sterling's index gained 0.1 to 89.2.

A comment by Mr Markus Lusser, President of the Swiss National Bank, that he would prefer a strong franc boosted the Swiss currency, particularly against the D-Mark. Political uncertainty in Eastern Europe was also said to favour the franc.

The French franc rose to its highest level against the D-Mark since mid-November after it was announced that the French trade deficit shrank to FFr2.21bn in December from FFr2.38 in November. This was about half the figure expected.

The Italian lira was also firm, at the top of the European Monetary System. In Milan the lira touched its highest point against the D-Mark for nearly two months.

Reaction was cautious but favourable to the concessions involving the African National Council, announced by President F.W. De Klerk of South Africa. The South African rand strengthened, with the dollar falling to R3.3058 from R3.4072 in terms of the financial rand. Dealers said it was too early to talk about the lifting of sanctions, but if and when this happened the financial rand would move up sharply.

A rally by the Australian dollar was largely technical, after its recent fall on an easing of the Reserve Bank of Australia's monetary policy. It broke through resistance at 77.10 US cents to close in London at 77.40 cents.

£ IN NEW YORK

Feb.2	Latest	Previous Close
£ Spot	1.6815-1.6825	1.6840-1.6850
1 month	0.85-0.84pm	0.86-0.85
3 months	2.61-2.58pm	2.74-2.72pm
12 months	9.10-9.00pm	9.23-9.13pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

CURRENCY RATES

CURRENCY MOVEMENTS

OTHER CURRENCIES

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

Feb.2	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.6785-1.6845	1.6810-1.6820	0.87-0.85cpm	6.14	2.72-2.69pm	6.44
Ireland†	1.5725-1.5805	1.5715-1.5725	0.41-0.36cpm	2.93	1.38-1.28pm	3.37
Canada	1.1855-1.1895	1.1880-1.1890	0.39-0.43cdis	-4.15	1.21-1.27dis	-4.18
Netherlands	1.8995-1.9050	1.9005-1.9015	0.05-0.08cdis	-0.41	0.19-0.25dis	-0.46
Belgium	34.95-35.30	35.20-35.30	4.00-7.00cdis	-1.88	15.00-20.00dis	-1.99
Denmark	6.47½-6.52¼	6.51¼-6.52¼	1.78-1.98oredis	-3.47	5.70-6.20dis	-3.66
W. Germany	1.6750-1.6915	1.6855-1.6865	0.04-0.02pfpm	0.21	0.05-0.02pm	0.08
Portugal	148.05-148.30	148.20-148.30	80-95cdis	-7.10	305-330dis	-8.58

POUND SPOT- FORWARD AGAINST THE POUND

EMS EUROPEAN CURRENCY UNIT RATES

EURO-CURRENCY INTEREST RATES

EXCHANGE CROSS RATES

FORWARD RATES AGAINST STERLING

	Spot	1 mth	3 mths	6 mths	12 mths
US Dollar	1.6815	1.6729	1.6545	1.6299	1.5890
D-mark	2.8350	2.8199	2.7887	2.7482	2.6794
French Fr.	9.6425	9.6104	9.5442	9.4661	9.3308
Swiss Fr.	2.5150	2.5049	2.4838	2.4523	2.3922
Yen	244.50	242.93	239.81	235.57	228.18

MONEY MARKETS

Slightly firmer

RATES WERE slightly firmer in London yesterday. Three-month interbank rose to 15⅛-15½ per cent from 15⅛-15⅛.

The Bank of England forecast a day-to-day credit shortage of £750m, but revised this to £800m at noon, and to £850m in the afternoon. Total help of £740m was provided.

Before lunch the authorities bought £498m bills, via £2m Treasury bills in band 1 at 14⅞ per cent; £20m bank bills in band 1 at 14⅞ per cent; £28m Treasury bills in band 2 at 14¾ per cent; and £448m bank bills in band 2 at 14¾ per cent.

In the afternoon a further £242m bills were purchased, by way of £55m bank bills in band 1 at 14⅞ per cent and £187m bank bills in band 2 at 14¾ per cent.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £559m, with a rise in the note circulation absorbing £425m. These outweighed Exchequer transactions adding £220m to liquidity and bank balances above target of £20m.

UK clearing bank base lending rate 15 per cent from October 5

FT LONDON INTERBANK FIXING

MONEY RATES

LONDON MONEY RATES

FINANCIAL FUTURES AND OPTIONS

LONDON (LIFFE)

CHICAGO

BANK RETURN

BANKING DEPARTMENT	Wednesday January 31, 1990		Increase or decrease for week
LIABILITIES	£		£
Capital	14,553,000		
Public Deposits	57,925,186	+	4,709,311
Bankers Deposits	1,529,327,458	-	105,622,115
Reserve and other Accounts	2,073,549,342	+	25,821,470
	3,675,354,986	-	75,091,334
ASSETS			
Government Securities	1,675,615,279	+	321,698,290
Advance and other Accounts	521,218,025	-	365,165,467
Premises Equipment & other Secs	1,470,419,892	-	34,637,082
Notes	7,855,239	+	2,829,616
Coin	348,551	-	4,881
	3,675,354,986	-	75,091,334
ISSUE DEPARTMENT			
LIABILITIES			
Notes in circulation	14,942,144,761	+	57,170,384
Notes in Banking Department	7,855,239	+	2,829,616
	14,950,000,000	+	60,000,000
ASSETS			
Government Debt	11,015,100		
Other Government Securities	10,994,580,404	+	579,824,235
Other Securities	3,944,404,496	-	519,824,235
	14,950,000,000	+	60,000,000

BASE LENDING RATES

	%		%		%
ABN Bank	15	Co-operative Bank	*15	NatWestminster	15
Adam & Company	15	Coutts & Co	15	Northern Bank Ltd	15
Allied Trust Bank	15	Cyprus Popular Bk	15	Norwich Gen. Trust	15
Allied Irish Bank	15	Dunbar Bank PLC	15	Mytredit Mortgage Bank	15½
● Henry Ansbacher	15	Duncan Lawrie	15	PRIVATbanken Limited	15
Associates Cap Corp	14	Equatorial Bank plc	15	Provincial Bank PLC	16
Benchmark Bank PLC	15	● Hill Samuel	§15	Whiteaway Laidlaw	15
Brit Bk of Mid East	15	C. Hoare & Co.	15	Yorkshire Bank	15
● Brown Shipley	15	Hongkong & Shangh	15		
CL Bank Nederland	15	● Leopold Joseph & Sons	15		
● Charterhouse Bank	15	Lloyds Bank	15		
Citibank NA	15	Meghraj Bank Ltd	15		
City Merchants Bank	15	McDonnell Douglas Bnk	15		
Clydesdale Bank	15	Midland Bank	15		
Comm. Bk N East	15	Mount Banking	15		
		Nat Bk. of Kuwait	15		

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LONDON STOCK EXCHANGE: Dealings

Details of business done shown below have been taken with consent from last Thursday's Stock Exchange Official List and should not be reproduced without permission.

Details relate to those securities not included in the FT Share Information Services.

Unless otherwise indicated prices are in pence. The prices are those at which the business was done in the 24 hours up to 5 pm on Thursday and settled through the Stock Exchange Talisman system, they are not in order of execution but in ascending order which denotes the day's highest and lowest dealings.

For those securities in which no business was recorded in Thursday's Official List the latest recorded business in the four previous days is given with the relevant date.

Rule 535(2) and Third Market stocks are not regulated by the International Stock Exchange of the United Kingdom and the Republic of Ireland Ltd.

‡ Bargains at special prices. ♦ Bargains done the previous day.

British Funds, etc
No. of bargains included 1766

Treasury 9% Ln 2008 "B" - £90⅝ (26Ja90)

Corporation and County Stocks
No. of bargains included 6

London County 2½% Cons Stk 1920(or after) - £34 (26Ja90)

Greater London Council 6¾% Stk 90/92 - £87¾ ¾ 8¼

Birmingham District Council 11½% Red ...

UK Public Boards

Foreign Stocks, Bonds, etc-(coupons payable in London)

2009(Reg) - £100⅞ (31Ja90)

Hydro-Quebec 12.75% Ln Stk 2015 - £108¾ ½

15% Ln Stk 2011 - £122½ (30Ja90)

Iceland(Republic of) 14½% Ln Stk 2016 - £114 (31Ja90)

Inco Ltd 15⅜% Uns Ln Stk 2008 $ Rep Opt - £114 (30Ja90)

Inter-American Development Bank 9½% Ln Stk 2015 - 286⅞ ½ 7

International Bank for Rec & Dev 9½% Ln Stk 2010(Reg) - 286⅝ ⅝ ⅝ ⅝

11.5% Ln Stk 2003 - 299⅝ ¼ .3 ⅝ ½ ⅝

Ireland 12½% Ln Stk 2008(Reg) - £108⅜ (30Ja90)

Sterling Issues by Overseas Borrowers
No. of bargains included 51

Banks and Discount Companies
No. of bargains included 3112

Breweries and Distilleries

Registered Housing Associations

Commercial, Industrial, etc
No. of bargains included 12735

Financial Trusts, Land, etc

Mines - Miscellaneous

Mines - South African

Oil

Property

Insurance

Investment Trusts

Plantations

Railways

Shipping

Utilities

Water

Unit Trusts

Miscellaneous Warrants

USM Appendix

The Third Market Appendix

Rule 535(2)

RULE 535 (4) (a)

Bargains marked in securities where principal market is outside the UK and Republic of Ireland. Quotation has not been granted in London and dealings are not recorded in the Official List.

By Permission of the Stock Exchange Council

LONDON STOCK EXCHANGE

Equities helped by overseas factors

THE LONDON stock market rounded off an erratic week with another uncertain but finally successful session yesterday, as favourable trends in other markets inspired a final flurry in UK stocks. The news that the South African Government had made considerable concessions to the black majority population prompted widespread gains among gold mining issues and other stocks with interests in Africa.

Although the final picture was optimistic as London responded to an early gain of 26 points on the Dow Average, the market remained nervous for most of the session, and the Footsie moved between minus 3.5 and plus 10.4 before its late rally left it below the day's high.

Account Dealing Dates		
*First Dealings:		
Jan 15	Jan 29	Feb 12
Option Declarations:		
Jan 25	Feb 8	Feb 22
Last Dealings:		
Jan 26	Feb 9	Feb 23
Account Day:		
Feb 5	Feb 19	Mar 5

*New time dealings may take place from 9.00 am two business days earlier

The final reading showed the FT-SE Index at 2,355.1, a net rise of 9.3 on the day. This week has seen the Footsie Index put on 40.4 points (1.8 per cent) as concern over the outlook for domestic interest rates has eased and Wall Street has steadied.

The political developments in South Africa, while not wholly unexpected, sparked a substantial increase in London activity in gold mining issues; "there was strength and volume in both South African gold shares and Government bonds," said RND International, the London brokerage house with South African financial backing, which trades these stocks in international markets.

UK trading in South African stocks is price-driven from Johannesburg, and the shares rose substantially in London as Johannesburg traders bought stock. But British, Continental and US investors were both sellers and buyers in the UK market. One specialist in gold share arbitrage trading said turnover yesterday was ten times the recent average. Interest washed over to Lonrho and Charter Consolidated, both with interests in Africa.

Market analysts held mixed views on the mainstream UK market. Seaq volume remained high at 487.4m shares, against Thursday's 470.5m, but little business was done during the closing upturn.

S.G. Warburg Securities sees the UK equity market moving "sideways in the short term," commenting that while much of the bad corporate news may be already reflected in share prices, it will still constrain the immediate outlook. Kleinwort Benson Securities believes the market will be "dull, volatile and driven by Wall Street for another month or so."

However, Mr Nicholas Knight of Nomura Research Institute remains bullish, and drew attention yesterday to the Japanese buying behind the strong German equity market. "Japanese investors are still making money in UK equities in Yen terms". He expects the UK to draw further benefit from the increasing movement of Japanese funds into international equities.

FINANCIAL TIMES STOCK INDICES

	Feb 2	Feb 1	Jan 31	Jan 30	Jan 29	Year Ago	1989/90 High	1989/90 Low	Since Compilation High	Since Compilation Low
Government Secs	81.51	81.66	81.55	81.64	81.77	88.82	89.29 (8/2/89)	81.04 (18/1/90)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	91.03	91.08	91.08	90.92	90.94	97.45	98.59 (15/3/89)	90.65 (26/1/90)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share	1866.4	1866.0	1864.0	1853.0	1863.8	1889.0	2008.6 (5/9/89)	1447.8 (3/1/89)	2008.6 (5/9/89)	49.4 (26/6/40)
Gold Mines	362.0	349.3	358.0	364.5	369.6	166.8	371.5 (25/1/90)	154.7 (17/2/89)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2355.1	2345.8	2337.3	2322.0	2328.8	2069.9	2463.7 (3/1/90)	1782.8 (3/1/89)	2463.7 (3/1/90)	986.9 (23/7/84)
Ord. Div. Yield	4.61	4.60	4.60	4.62	4.60	4.34				
Earning Yld %(full)	11.13	11.13	11.13	11.23	11.22	10.87				
P/E Ratio(Net)(☆)	10.87	10.87	10.87	10.77	10.79	11.17				
SEAQ Bargains(5pm)	26,383	27,442	26,711	25,903	27,369	40,053				
Equity Turnover(£m)†	-	931.90	1127.77	767.35	674.11	1424.87				
Equity Bargains†	-	27,981	26,593	26,504	26,804	41,223				
Shares Traded (ml)†	-	396.3	494.8	415.6	351.9	611.1				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55. Basis 1000 FT-SE 100 31/12/83. ☆ Nil 10.62

Ordinary Share Index, Hourly changes Day's High 1867.3 Day's Low 1861.6

Open	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1865.8	1862.5	1862.1	1865.4	1864.7	1861.7	1862.2	1866.2

FT-SE, Hourly changes Day's High 2356.2 Day's Low 2342.3

Open	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
2348.1	2345.0	2348.5	2351.4	2350.4	2347.0	2348.8	2353.4

GILT EDGED ACTIVITY

Indices*	Feb 1	Jan 31
Gilt Edged Bargains	82.9	85.6
5-Day average	90.3	94.6

*SE Activity 1974. †Excluding intra-market business & Overseas turnover. Calculation of the FT Indices of daily Equity Bargains and Equity Value and of the five-day averages of Equity Bargains and Equity Value, was discontinued on July 31. Closing values for July 28 available on request.
London report and latest Share Index Tel. 0898 123001.

Cellnet partners advance

Shares in the two corporate owners of Cellnet, one of the UK's two cellular radio networks, rose strongly yesterday on hints suggested that moves to maximise shareholder value may soon be set in train. Cellnet is owned 60/40 by British Telecom and Securicor/Security Services.

Securicor/Security Services are scheduled to announce preliminary figures on Tuesday and British Telecom is expected to declare third-quarter results on Thursday.

Dealers said there were various ways of realising the value of Cellnet, including a straightforward sale of the company, a sale by Securicor/Security Services of their joint stake to British Telecom or an issue of shares in Cellnet to Securicor/Security Services holders.

Telecoms analysts do not expect developments immediately, but do not rule out big changes in coming months. "It would be sensible to take advantage of what some regard as inflated values for cellular business," said one analyst.

Cellnet speculation gave yet another boost to British Telecom shares which have been stimulated by heavy US support throughout this week. At the close they were another 4½ higher at 310p – up 20 on the week – on turnover of 6.3m. Securicor "A" shares advanced 35 to 881p and Security Services 38 to 724p.

BAe flurry

A report in the UK press that British Aerospace (BAe) was to be asked to pay £238m by the European Commission, in the aftermath of the purchase of the Rover Group, sent the share price down by 30.

In mid-morning, however, the price rallied after the UK Department of Trade and Industry stated that it had no knowledge of a report by the Commission. Analysts had already noted that there were some doubts with the story, since the European Commission has already agreed to the deal, and the money to be recovered, as it belonged to shareholders, is probably irretrievable. BAe might have to repay the £33m "sweeteners", or hidden subsidies paid by the government at the time of the sale, but this bad news was probably already in the price, and the sum is far less significant than the £238m mentioned in the report.

The shares closed off a net 6 at 554p, once the market had recovered its nerve. Renewed worries about industrial action helped to keep the price down, on thin volume of 1.3m.

Mecca challenge

Mecca Leisure fell in two-way trade after analysts at Smith New Court cut their forecasts for profits in the current year from £98m to "a worst case of £90m." After speaking to the company, Mr Peter Joseph at Smith singled out slowdowns in bingo, nightclubs, London casinos, and slot machines, among others. He also changed his recommendation on the stock from a hold to "consider selling." Turnover was more than double its usual levels at 2m shares as the Mecca price slipped 4 to 151p.

Other analysts, however, stuck by their forecasts, mostly in the £95m to £100m range. "We've looked at our figures and don't see any reason to change them," said one.

Royal Bank of Scotland completed an up and down week showing a strong rise on the session as takeover speculation drove the share price up to 216p, before closing at 214p, for a net gain of 10½. Turnover reached 15m shares, way ahead of usual levels of business.

There was no shortage of names put forward by dealers and analysts as to potential bidders for the bank. Among these Banque National de Paris cropped up again, as did that of Paribas. Other stories suggested stock market switching operations, involving selling TSB and Bank of Scotland and buying Royal Bank shares, although dealers were sceptical of this angle.

Earlier in the week Royal shares were unsettled by reports detailing the bank's exposure to highly leveraged buyouts, although Royal Bank emphasised it planned no extensive new provisions for these.

The bid speculation was triggered at the outset when a line of 500,000 shares was snapped up on the inter-dealer broker screens. This was followed by aggressive bidding for further big lines of stock, leading to renewed talk of stake-building in the shares. Banco Santander, the Spanish bank, has a 10 per cent stake in Royal Bank and the Kuwait Investment Office a 6.6 per cent holding.

Abbey National advanced 4 more to 190p, just short of its all-time peak as UBS Phillips & Drew reiterated its buy recommendation on the stock.

French investors renewed their interest in Eurotunnel after several weeks on the sidelines. The shares jumped 37 to 655p.

Tiphook advanced 9 to 472p on good sentiment following the decision of the board of Sea Containers to recommend that its shareholders approve an offer to buy most of its container and ferry businesses. The offer is from a company owned jointly by Tiphook and Stena of Sweden. One dealer also mentioned a persistent buyer on the inter-dealer broker screens.

Oil and gas stocks made further progress at the end of a week which brought a re-rating of the sector by a number of broking houses.

The main features of the market yesterday were two big individual trades in British Gas, one of 9m shares and another of 6m, which followed in quick succession on the Seaq ticker around lunchtime. These were thought to have represented American interest, and boosted turnover in Gas to 22m. "The Americans like them because of their excellent defensive merits, good yield, guaranteed dividend growth and also the firmer trend in the dollar", said an oil sector specialist. Gas closed a fraction higher at 226½p. BP put on 3 to 348p on turnover of 6.3m. More institutional buying lifted Enterprise a further 8 to 676p.

Among the secondary stocks Aviva Petroleum continued their recent good performance, adding 3 more to 33½p after a broker's buy recommendation, said to indicate sharply increased asset values.

Food manufacturing and retailing shares were quiet with dealers remarking on the virtual dearth of news and an absence of market-related stories involving the takeover stocks which normally provide the sector with a fresh supply of interest.

The recent positive note by Hoare Govett helped Polly Peck add 4 to 418p on 1.9m shares. Budgens advanced 2 to 103p despite Thursday's late news that Mr Tony Birch, its managing director had resigned. "The big question is who is going to replace him. Despite the share price rise, the jury still seems to be out on Budgens," one dealer said.

Carlton Communications' shares rose a further 19 to 795p ahead of the much previewed visit to Japan which begins on Monday, with the main presentation on Friday.

Vague hints of a Grand Metropolitan rights issue depressed the stock. Hoare Govett denied responsibility and there was a generally sceptical response to the notion. GrandMet recovered from a low of 602p to close at 604p, down 4 on the day.

Speculation continued to swirl around the market that Elders' near 24 per cent stake in Scottish and Newcastle had been placed. Yesterday's suggestion was that the deed had been done at 325p a share, although cooler heads referred to recent activity in the traded options market as the possible stimulus for the price rise in the last few days. The shares added 3 at 336p.

Bass continued to slip, down another 4 to 1005p. One analyst said the reason was that US arbitrageurs were preparing to sell up to 8m Bass shares. They will receive this stock as a consequence of the sale of Holiday Inns to Bass last year. The vendor, Holiday Corp. received the shares as part of the consideration, said the analyst, and is passing them on to shareholders who are likely to liquidate their positions.

Reports that Sears had taken a near 2 per cent stake in Next helped the latter's shares climb 5 to 98p. As the day wore on, marketmakers and analysts became increasingly convinced that the stake was 5m shares, or 1.4 per cent. Dealers doubted, however, that any such stake represented predatory intentions at Sears, whose shares were weak for most of the session. They recovered to 100p, unchanged on the day.

Kingfisher recovered from Thursday's weakness, firming 3 to 279p. One dealer said a line of 1.4m shares, which had hung over the market, were placed.

Burton continued their week performance as Laing & Cruickshank published a cautious note on the company. Laing argued that the current depressed states of the property and retail market were slowing sales of shopping centre space. Some developers were being forced to keep the property on their books and were therefore being hurt by high interest rates. Burton owned five such centres, said Laing, and the shares eased another 2 to 190p.

One leading securities house was said to have found a buyer for a line of 3m Marks and Spencer. Its efforts to cover the short position helped the shares climb 4¼ to 207p.

Thursday's profit warning from Sock Shop left the shares another 4 weaker at 46p.

The Racal "twins" were aggressively bought with dealers citing the Cellnet stories, which if true could possibly trigger a re-rating of Vodafone, and the forthcoming series of presentations to European and US investors. UBS Phillips & Drew, which recently issued a strong buy recommendation on Racal Telecom, is sponsoring a week-long European roadshow next week. The UBS electronics team says demand for mobile communications in the 1990s will see a 10-fold increase in subscribers from under 1m to over 10m in the UK and from 2m to over 40m in Europe, with Racal retaining a dominant share. "Racal Telecom is 30 per cent undervalued," said UBS. At the close Racal Telecom were 12 higher at 373p and Racal Electronics 8 to the good at 226p.

GEC dipped 3 more to 228p on good turnover of 9.3m shares amid talk of a broker's profits downgrading. Logica, the software group, dropped 8 to 339p after an analysts visit which was said to have revealed problems in the US operations, with profits downgradings said to be looming.

The bid by MTM for Chemoxy International sent ripples through the chemicals sector. Among other chemicals second liners, Croda International and Brent Chemicals both added to 188p and 133p respectively.

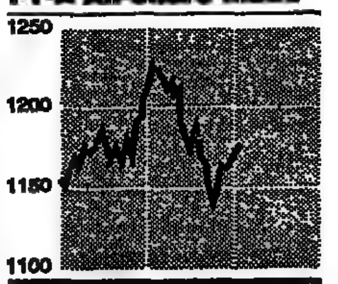
The bid, made through BZW, send Chemoxy 149 higher 417p. MTM fell 4 at 211p, having dipped to 206½p after the bid was announced. Dealers reported little trading, saying that only about 3m shares were in circulation.

Suggestions that profits forecasts for Lucas had been downgraded by Cazenove helped bring the price down 14 to 626p, although Cazenove refused to comment. Gloomy press reports, industrial action in the aerospace industry and the threat of such in the motor industry did not help sentiment in the rest of the sector. GKN fell 6 at 423p while Smiths Industries shed 10 to 249p on turnover of 1m. At least one analyst downgraded Smiths, and there was said to be steady selling of the stock.

Laing Properties enjoyed a strong rally at the end of the day, closing 14 stronger at 564p. Dealers reported that trade was heavier than usual in the stock, and speculation about the intentions of stakeholders Chelsfield would appear still to be alive.

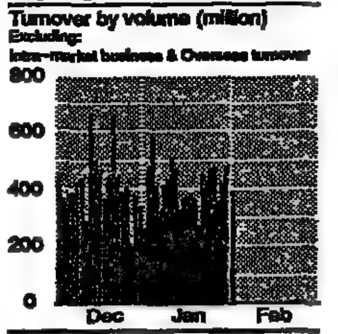
Other Market statistics, including the FT-Actuaries share Index Page 11.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)
Excluding:
Intra-market business & Overseas turnover



TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change
ADT	782	189		Comm Union	1,000	514	+1	Lloyds Bank	4,080	305	+7	Sedgwick	372	293	-2
ASDA Group	2,100	111		Cookson	698	256		LASMO	1,000	637	+2	Shell Transport	2,800	487	
Abbey National	3,300	190	+4	Courtaulds	1,700	383	-2	Lonrho	5,508	288	+11	Siebe	109	442	-2
Allied-Lyons	1,000	486		Dalgety	280	393	+3	Lucas	2,200	626	-14	Slough Ests	245	312	
Amstrad	1,200	45	-1	Dixons	148	128		MB Group	78	217		Smith (W.H.) A	593	325	+4
Argyll Group	351	214		Eng. China Clays	619	433	-2	MEPC	195	507	+1	Smith & Nephew	2,600	122	+½
Ass. Brit. Foods	490	400	+1	Enterprise Oil	532	676	+8	Marks & Spencer	7,008	207	+4½	SmKl Beecham	1,900	549½	+½
BAA	1,700	394	+2	FKI	240	89		Maxwell Comm.	1,200	212		SmKl Beecham Units	42	2498	-10
BAT Inds.	2,300	821	+12	Ferranti	1,100	37		Mecca Leisure	2,000	151	-4	Smiths Inds.	1,000	249	-10
BET	1,700	251	+4	Fisons	685	330		Midland Bank	1,100	362	-4	Standard Chartd.	277	604	-2
BICC	633	458	+2	Gen. Accident	216	1172	+4	NatWest Bank	3,850	359	+4	Storehouse	685	113	+1
BOC	376	525	+1	General Elec.	9,300	228	-3	Next	4,500	98	+5	Sun Alliance	805	320	-3
BPB Inds.	853	230	-1	Glaxo	3,100	711	+3	Northern Foods	16	311		Sun Life	12	1303	
BTR	2,100	442	+3	Globe Inv.	499	189½	-½	Pearson	322	759	+10	T&N	427	207	
Barclays	1,700	586		Glynwed Int.	195	239	+1	P & O	494	620	-1	TI Group	307	425	
Bass	510	1005	-4	Granada	595	334		Pilkington	932	225		TSB	4,600	145	
Beazer	5,400	181	+1	Grand Met.	4,400	604	-4	Polly Peck Intl.	1,900	418	+4	Tarmac	394	240	-2
Beresford Int.	223	148		GUS A	81	1023	-8	Prudential	1,500	226	-2	Tate & Lyle	1,000	314	+2
Blue Arrow	933	85½		GRE	1,800	253	-4	RHM	1,500	439	+3	Taylor Woodrow	45	293	
Blue Circle	1,000	[illegible]		GKN	2,300	423	-6	RMC	748	685		Tesco	1,700	199½	-½
Boots	2,800	271	+2	Guinness	1,300	663	-2	RTZ	1,500	612	+4	Thames Water	2,600	159	
Brit. & Comm.	3,600	78	+6	Hammerson "A"	49	789	-1	Racal	10,000	226	+8	THORN EMI	142	762	-2
Brit. Aerospace	1,300	553	-7	Hanson	5,500	226	+2	Racal Telecom	494	373	+12	Trafalgar House	1,303	343	+5
British Airways	2,850	201		Hanson Warrants	493	58	-½	Rank Org.	580	800	-8	Trusthouse Forte	418	282	-2
British Gas	22,000	226½	+½	Harrisons Cros.	307	155		Reckitt & Colman	75	1214		Ultramar	701	351	+3
British Land	72	402	-1	Hawker Sidd.	321	658	-2	Redland	425	569	-1	Unigate	449	322	+1
BP	6,300	348	+3	Hillsdown	2,200	289		Reed Intl.	2,200	421	-3	Unilever	929	674	-1
British Steel	3,400	139	+½	IMI	192	222		Reuters	516	1011	+16	United Biscuits	244	343	+½
British Telecom	6,300	310	+4½	ICI	737	1093	+3	Rolls Royce	1,000	179		Utd. Newspapers	41	415	
Bunzl	460	105		Inchcape	3,000	272½	+½	Rothmans	133	656	+7	Wellcome	880	703	+3
Burmah Oil	608	641	+2	Jaguar	1	843		Ryl Bk Scotland	15,000	214	+10½	Whitbread "A"	832	484	+1
Burton	3,800	190	-2	Kingfisher	4,300	279	+3	Royal Insurance	1,000	515	-8	Williams Hldgs.	445	392	-2
Cable & Wire.	1,800	837	+2	Ladbroke	1,000	319		STC	1,900	359	-2	Willis Faber	12	275	
Cadburys	362	358		Land Securities	273	602	+1	Saatchi	798	238	-7	Wimpey	1,300	258	+4
Calor Group	31	353	+2	Laporte	116	317	+4	Sainsbury	1,500	285	-2				
Carlton Comms.	834	795	+19	Legal & General	120	418	-2	Scottish & New.	1,800	398	+3				
Coats Viyella	894	184	+2	Lloyds Abbey	181	320	+1	Sears	16,000	100					

Based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 5 pm.

NEW HIGHS AND LOWS FOR 1989/90

NEW HIGHS (48).
BRITISH FUNDS (1) Treas. 3pc 1990, BANKS (2) Lloyds, TSB, CHEMICALS (4) BASF, Chemoxy Int'l., Perstorp 'B', Ransom (Wm.), ENGINEERING (1) Victaulic, FOODS (1) Tate & Lyle, INDUSTRIALS (8) Berlis, Bowater, CRT, Hateland Hyd. 'A', Do 'B', RCO, INSURANCE (1) Utd. Friendly 'B', LEISURE (1) LWT 3.9375pc Pf., PAPERS (1) TMD Adv., PROPERTY (1) Power, SOUTH AFRICANS (1) OK Bazaars, TRUSTS (9) Fledgeling Japan, Do. Warrants, Flexitech, I & S Opt. Inc.-Tst. Zero Div., Nat. Home Lns, WATER (3) Nth. West Water, Sth. West Water, OILS (7) Aviva Pet., Brit. Pet., Claremont, Hardy Oil, Monument, Norsk Hydro, Triton Europe, MINES (8) Anglo Am. Gold, Beatrix, Deelkraal, Elandsrand Gold, Free State Dev., Impala Plat., Kloof Gold, Loraine.
NEW LOWS (48).
AMERICANS (1) Data Gen., CANADIANS (4) Gandalf Tech. Inc., Inco, Rio Algom, Sceptre Gold, BANKS (4) Cap. Leasing, Mitsubishi, Mitsubishi T & B, Sumitomo Bank, BREWERS (1) Eldridge Pope 'A', BUILDINGS (3) Rush & Tompkins, Venture Plant, Wescol, CHEMICALS (1) Astra, STORES (4) Heritage, Martin (A), Phil., Sock Shop, ELECTRICALS (4) Emess 6.25pc Cv. Pf., Isopad Int'l., R & V Info. Sys., Wholesale Fittings, ENGINEERING (2) AT Tst., VSEL Consort., INDUSTRIALS (7) Alumasc, Bear Brand, Benson Grp., Bridport-G., Klean-E-Ze, Magnolia, Ropner 'A', INSURANCE (1) FAI, LEISURE (2) Expedier, TVS Ent., PAPERS (2) Ferguson Int'l., Hunterprint, PROPERTY (3) Erostin, McKay Securities, Priest Marians, TEXTILES (3) Drummond, Foster (J.), Lowe (R.H.), TRANSPORT (1) TNT, TRUSTS (1) Tranwood Wrrnts., OILS (1) Meridian, MINES (1) Young Grp., THIRD MARKET (3) Kromagraphic, Leading Lnis., Wilton.

RISES AND FALLS

	On Friday Rises	On Friday Falls	On Friday Same	On the week Rises	On the week Falls	On the week Same
British Funds	8	66	6	240	300	57
Corps. Dom. & Foreign Bonds	9	6	22	38	17	136
Industrials	340	349	921	1,714	1,715	4,029
Financial and Props	173	121	402	846	670	1,972
Oils	33	19	42	155	109	206
Plantations	2	1	7	9	6	35
Mines	71	16	74	181	246	376
Others	69	68	117	346	336	521
Totals	705	686	1,591	3,524	3,384	7,894

LEADERS AND LAGGARDS

Percentage changes since December 29 1989 based on Thursday February 1 1990

Gold Mines Index	+	18.01
Packaging & Paper	+	4.36
Water	+	2.66
Banks	+	1.97
Food Retailing	+	0.40
Electronics	-	0.09
Merchant Banks	-	0.41
Oil & Gas	-	0.79
Motors	-	1.21
Conglomerates	-	1.37
Insurance(Life)	-	1.39
Financial Group	-	1.46
Telephone Networks	-	1.68
Transport	-	1.87
Engineering-General	-	1.94
Agencies	-	2.12
Other Groups	-	2.17
Brewers and Distillers	-	2.36
Contracting, Construction	-	2.38
Metals & Metal Forming	-	2.61
Stores	-	2.61
Leisure	-	2.67
Electricals	-	2.77
All Share Index	-	2.82
500 Share Index	-	2.91
Textiles	-	3.05
Industrial Group	-	3.26
Food Manufacturing	-	3.41
Chemicals	-	3.59
Property	-	3.60
Capital Goods	-	3.80
Building Materials	-	3.83
Consumer Group	-	3.82
Insurance(Brokers)	-	3.96
Investment Trusts	-	4.73
Publishing & Printing	-	4.82
Insurance(Composite)	-	5.89
Engineering-Aerospace	-	6.06
Other Industrial Materials	-	7.45
Health & Household Products	-	8.80
Overseas Traders	-	12.34

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		10.000	4/93	94-12	-3/32	12.15	12.21	11.80
		10.500	5/99	95-27	-3/32	11.22	11.18	10.61
		9.000	10/08	89-10	-1/32	10.30	10.25	9.78
US TREASURY *		7.875	11/99	96-02	-11/32	8.47	8.45	7.97
		8.125	8/19	96-03	-18/32	8.49	8.51	8.03
JAPAN	No 111	4.600	6/99	89.7612	+0.032	6.56	6.34	5.78
	No 2	5.700	3/07	95.3712	+0.315	6.26	6.34	5.88
GERMANY		7.125	12/99	95.0500	-0.220	7.71	7.71	7.51
FRANCE	BTAN	8.000	10/94	91.5725	+0.078	10.33	10.32	10.22
	OAT	8.125	5/99	90.8100	+0.060	9.65	9.62	9.55
CANADA *		9.250	12/99	95.4500	+0.050	9.98	9.89	9.69
NETHERLANDS		7.500	11/99	94.7200	-	8.30	8.28	8.10
AUSTRALIA		12.000	7/99	95.8471	+0.157	12.76	12.75	12.96

London closing, *denotes New York morning session
Yields: Local market standard. Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

COMMODITIES

WEEK IN THE MARKETS

Base metals rally from early lows

COPPER, ALUMINIUM and tin prices registered long-time lows on the London Metal Exchange this week, but they all finished well off the bottom as the price cuts attracted consumer buying. Nevertheless the overall tone of the base metals market remained cautious and traders were not looking for sustained recoveries.

Cash copper dipped to a 17-month low of £1,301 a tonne at one stage before closing yesterday at £1,364.50 tonne, up £4.50 on the week. Traders said the market, which was mainly under the influence of the trend on the New York Commodity Exchange (Comex), appeared to be stuck in a narrow range, with chart support a few dollars below the current level and solid resistance a few dollars above.

The prices of high grade aluminium and tin reached the lowest levels since their launches – in June 1987 and June last year respectively.

Aluminium's fall took the cash price below $1,400 a tonne on Wednesday, following Monday's announcement of an 11,400-tonne rise in LME warehouse stocks to 87,475 tonnes. But then consumer buying halted the decline and by last night's close the price had rallied to $1,444.50 a tonne, still down $15.50 on the week but $50 off the low. However, traders pointed out that, with further substantial arrivals expected in LME warehouses, supplies would be more than adequate to meet any likely upturn in consumer offtake prompted by present low price levels.

Big falls in LME stocks of zinc (up 11,475 tonnes) and lead (up 4,650 tonnes) prompted rises early in the week and, despite confirmation of the ending of the Centromin strike in Peru, both were still holding gains at last night's close.

Cash special high grade zinc, which had dipped to $1,265 a tonne on Wednesday, ended $78.50 up on the week at $1,356 a tonne. Cash lead, which had retreated from £422 to £412.50 a tonne at one point, put on a £12 spurt yesterday to finish with a net gain of £13 at £430 a tonne.

Before this week lead's fairly bullish fundamentals – low stocks and good demand – had been overshadowed by the gloomy mood in the rest of the base metals market.

The rally prompted in the nickel market by last week's announcements of production curbs by Inco of Canada and Falconbridge ran out of steam early this week and the cash LME price dipped to $6,075 a tonne at one stage. That fall was recovered and the price ended $212.50 up on the week at $6,612.50 a tonne.

However, a special report published this week by Shearson Lehman Hutton's London metals team warned that any recovery in the nickel price might be short-lived. Even after allowing for the Inco and Falconbridge cuts a 40,000-tonne surplus of the metal was likely this year, the report said. "We would not be surprised to see three-month LME prices (currently standing at the equivalent of $2.90 a lb) touch $2 a lb before recovering in the second half of this year." The nickel market's main problem was "massive destocking" by the stainless steel industry, Shearson pointed out.

Gold finished a lively week on a high note, a $1.50 rise yesterday leaving the London bullion market price $5 up on balance at $417.75 a troy ounce.

Monday had seen a rise to $423, encouraged by the lower dollar and weak equities, but profit-taking quickly trimmed that back. Then, on Wednesday, early talk of a US plan to "mobilise" International Monetary Fund holdings to pay off debtors' arrears pushed the price down to $411.30 an ounce at one time. On fuller consideration gold traders apparently decided that the US plan was nothing to worry about and the price began to recover.

Yesterday's early rise was partly attributed to the political moves in South Africa, which traders thought might lead to a widening of the market for South African gold. But caution over the long term implications prompted some liquidation later.

Coffee prices steadied yesterday on the London Futures and Options Exchange after the Brazilian Coffee Institute forecast a 1990-91 crop of 24.5m bags (60 kg each) – at the bottom end of a range of trade projections going up to 30m bags.

The market response was muted, however, in view of the large structural surplus in the coffee market. The May futures price rose £4 yesterday to £588 a tonne, still down £6 on the week.

In its quarterly futures review, published this week, London trade house E.D. & F. Man said that further falls in coffee prices were likely in the short term – but that there was potential for rallies in arabicas (the mild, chiefly Latin American, variety that is traded on the New York futures market).

Richard Mooney

APPOINTMENTS

Chairman of ICCH

INTERNATIONAL COMMODITIES CLEARING HOUSE, owned by six UK banks, has appointed Mr Denis Child as chairman. He was deputy group chief executive of National Westminster Bank, and is a director of Coutts & Co, Securities and Investment Board, Eurotunnel Group, Investor Compensation Scheme, and IBM UK Pensions Trust.

■ Mr Michael Cornish has been appointed general manager and sales and marketing director designate at SIP (HOLDINGS), Loughborough. He was commercial manager. Mr Len Spring has been appointed head of the new industrial division.

■ AUTHORITY INVESTMENTS has appointed Mr Malcolm Horsman as executive chairman, succeeding Lord Lever who becomes a non-executive director, and president.

■ Mr Robert Fraser has become a director of JAMES FINLAY.

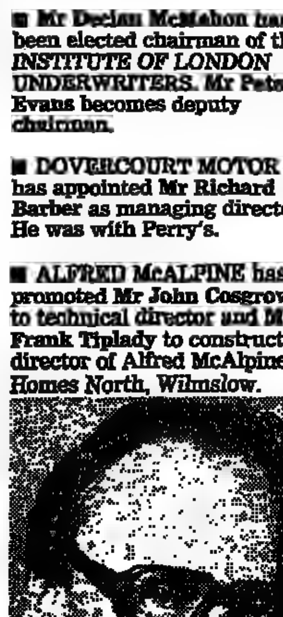
■ PEEK, an international electronics and technology group, has appointed Mr Philip C. Challiner as managing director of its subsidiary, Polytechnic Electronics. He joins from Group 4 Systems where he has been managing director since 1986.

■ Mr Nigel Burton has been appointed a director of TESCO STORES and will join the company on April 17 from Boots where he is director of property. He will assume responsibility for the property and estates interests of Tesco following the annual meeting on May 25. This will be on the retirement of Mr Francis Krejsa, who will remain on the main board as a non-executive director and chairman of Spen Hill Properties, a commercial property company wholly-owned by Tesco.

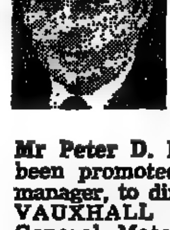
■ Mr Declan McMahon has been elected chairman of the INSTITUTE OF LONDON UNDERWRITERS. Mr Peter Evans becomes deputy chairman.

■ DOVERCOURT MOTOR CO has appointed Mr Richard Barber as managing director. He was with Perry's.

■ ALFRED McALPINE has promoted Mr John Cosgrove to technical director and Mr Frank Tiplady to construction director of Alfred McAlpine Homes North, Wilmslow.



SAPPHIRE INTERNATIONAL has made Mr Lindsay Bury (above) non-executive chairman. He was chairman, Apricot Computers, remains a director, and is chairman, Sharp Technology Fund.




Mr Peter D. Lord (left) has been promoted from service manager, to director, parts, at VAUXHALL MOTORS, a General Motors subsidiary, succeeding Mr John N. Costin (right) who has been made executive director, GM European parts and accessories, Russelsheim, West Germany.

■ Mr David Pulser has been appointed managing director of BRYANS INSTRUMENTS, Runcorn, manufacturer of CAD plotters and analogue recorders. He was sales director, and succeeds Mr Adam Kingdon who returns to the post of group managing director of Adam Holdings.

■ Mr M.J. Last has been elected 1990 chairman of the committee of LLOYD'S MOTOR UNDERWRITERS ASSOCIATION.

■ Mr Martin J. Westman has been appointed to the new post of financial controller of DUNLOP AEROSPACE GROUP, Coventry, part of BTR. He is a director of joint venture company Dunlop-Eldec Electronics.

■ Mr Tony Aston has been appointed financial director of UNITED CARRIERS INTERNATIONAL. He was managing director of subsidiary Mann & Son.

■ Mr Stuart Heys has been appointed LEYLAND DAF military sales director based at Thame. He was military projects director.

■ Mr Paul Jackson has been appointed accounts director at NDL INTERNATIONAL. He joins from Toshiba (UK)

■ THOMAS & BETTS, Marlow, has appointed Mr Douglas S. Burchett as vice president Europe, sales and marketing. He was director of marketing at AMP.

■ LANDIS & GYR COMMUNICATIONS (UK) has appointed Mr David McCormack as director of business development, based at Verwood, Dorset. He was sales director, payphone division, GPT.

■ LEIGH INTERESTS, an environmental waste management company, has appointed Mr Edward Wilkinson to the parent board. He is group services director of Leigh Environmental.

■ KEITH JOHNSON CONTRACTORS, Derby, part of the Bowmer & Kirkland Group, has promoted Mr Kevin Hibbert to contracts director.

■ Mr Ralph Davies has been appointed technical director at Tooling Products, a WEIR GROUP company. He was technical manager.

Mr Nigel Gibney has been appointed director of business development at DOWTY DEFENCE & AIR SYSTEMS, fuel systems division, succeeding Mr Geoff Smith who has become director and general manager. Mr Gibney was head of engineering.

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AUTHORISED UNIT TRUSTS

Abbey Unit Tst Mngrs (1000)H

80 Holdenhurst Rd, Bournemouth 0345 717373

	Init Chrg	Canc Price	Bid Price	Offer Price	+ or −	Yield Gr's
High Income						
American Income	6	[illegible]	[illegible]	51.73	+0.25	[illegible]
Gilts & Fixed Int	6	106.0	106.0	112.4	−0.2	[illegible]
High Inc Equity	6	137.5	137.5	147.1	+0.1	[illegible]
Worldwide Bond	6	[illegible]	[illegible]	[illegible]		[illegible]
Capital Growth						
American Growth	6	176.6	176.6	[illegible]	−0.1	[illegible]
Asian Pacific	6	124.7	127.3	[illegible]	+1.2	[illegible]
Assets & Earnings	6	158.5	158.5	[illegible]	−3.3	[illegible]
Capital Reserve Acc	0	88.93	88.93	[illegible]	+0.08	[illegible]
Capital Reserve Inc	0	78.91	78.91	79.01	+0.07	[illegible]
Comdty & Energy	6	116.8	116.8	125.0	−1.1	[illegible]
Dividend & Growth	6	46.78	47.64	[illegible]		[illegible]
1992 Enterprise	6	62.12	62.12	[illegible]	+0.03	2.50
Euro Capital Acc	6	100.2	100.9	107.4	+0.6	0.78
Euro Capital Inc	6	96.34	97.29	103.5	+0.5	0.78
General	6	177.8	177.8	190.2	−0.2	[illegible]
International	6	61.49	62.31	66.29	+0.27	0.73
Japan	6	116.6	116.6	124.8	−0.1	[illegible]
Mastertrust	6	90.42	90.42	[illegible]	+0.13	1.76
UK Growth Acc	6	182.6	182.6	[illegible]	−0.2	1.43
UK Growth Dist	6	120.7	120.7	[illegible]	−0.1	[illegible]
US Emerging Cos	6	48.96	48.96	52.37	+0.03	[illegible]
Income & Growth	6	304.9	304.9	[illegible]	−3.0	[illegible]
Ethical	6	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Abtrust Management Ltd (1000)H

10 Queens Terrace, Aberdeen AB9 1QJ 0800 833580

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Thornton Unit Managers Ltd (1000)F
33 Cavendish Sq., London W1M 7HF 01-493 7262
Dealing 01-493 8545

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
American Opps	5	46.02	47.09	50.22	+0.43	1.07
(Accum Units)	5	47.36	48.46	51.68	+0.44	1.07
European Opps	5	70.15	70.41	75.09	+0.70	0.00
(Accum Units)	5	70.52	70.80	75.51	+0.71	0.00
Far Eastern Opps	5	138.67	138.79	148.03	+0.86	0.00
(Accum Units)	5	139.56	139.68	148.98	+0.86	0.00
Golden Opps	5	46.18	46.51	49.60	+0.71	0.00
(Accum Units)	5	47.50	47.84	51.02	+0.74	0.00
Intl Hi-Yield	5	57.80	58.18	62.05	+0.40	4.42
(Accum Units)	5	62.75	63.16	67.37	+0.44	4.42
Sanyo Japan Tst	5	73.90	74.08	79.01	+0.12	0.00
(Accum Units)	5	73.90	74.08	79.01	+0.12	0.00
Kangaroo	5	33.28	33.28	35.49	+0.12	1.48
(Accum Units)	5	33.47	33.47	35.69	+0.12	1.48
Oriental Income	5	34.20	34.26	36.54	+0.27	5.15
(Accum Units)	5	38.36	38.41	40.96	+0.30	5.15
Pacific Technology	5	57.84	57.84	61.68	-0.68	0.00
(Accum Units)	5	58.30	58.30	62.18	-0.69	0.00
Tiger	5	146.72	147.17	156.97	+0.93	0.72
(Accum Units)	5	149.01	149.47	159.42	+0.94	0.72
UK Hi-Yield	5	43.17	43.17	46.03	-0.07	4.95
(Accum Units)	5	49.36	49.36	52.64	-0.07	4.95
UK Opps	5	54.22	54.22	57.98	-0.43	1.99
(Accum Units)	5	58.79	58.79	62.87	-0.07	1.99

Three Counties Asset Mngmt Ltd (1430)F
Cuthbert House, Tower Rd, Washington NE37 2SH 091 415 3034

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Balanced Portfolio	6	94.253	94.253	100.248	.....	4.00

Touche Remnant Unit Tst Mngt Ltd (1600)F
Mermaid Hse, 2 Puddle Dock, EC4 01-248 1250
4 Hourly Pricing—12 Noon Historic

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
TR American Gwth	5¼	43.50	43.50	46.40	(e)	0
TR Eur Sp Sits Acc	5¼	41.34	41.34	44.05	(z)	0
TR Eur Sp Sits Inc	5¼	40.53	40.53	43.20	(z)	0
TR General Growth	5¼	76.14	76.14	81.00	(z)	2.74
TR Global Tech	5¼	68.33	68.33	72.88	(z)	0
TR Income Growth	5¼	89.57	90.07	95.81	(z)	4.35
TR Income Monthly	5¼	58.06	58.06	61.76	(z)	6.79
TR Japan Growth	5¼	97.67	97.67	103.7	(z)	0
TR Overseas Growth	5¼	66.75	66.75	71.18	(z)	0
TR Smaller Cos	5¼	83.79	83.79	89.13	(z)	2.95
TR Special Ops	5¼	95.49	95.49	101.5	(z)	2.82
TR Mgd Eq Plan Acc	5¼	54.57	54.57	56.77	(z)	2.29

J. Rothschild Fund Managers Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Intl Exempt	145.3	147.01	.....	1.42

Stewart Ivory & Co Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Sales PPP Jan 21	264.6	278.61	.....	–

Closed to new business

Thornton Unit Managers Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Managed Exempt Feb 1	102.42	108.42	.....	3.82
(Accum Units)	103.04	109.08	.....	3.82

Touche Remnant Unit Tst Mngt Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
TR Exempt European	1097	1111	.....	1.61
TR Exempt Nth Amer	882	896	.....	3.73
TR Exempt Pac Basin	991	1004	.....	0

INSURANCES

AA Friendly Society
(Investment Mngt M & G Ins Mngt Ltd)

	Bid Price	Offer Price	+ or -	Yield Gross
AA Friendly Sy Jan 22	–	177.01	.....	–

Abbey Life Assurance Co Ltd
80 Holdenhurst Road, Bournemouth 0202 292373

	Bid Price	Offer Price	+ or -	Yield Gross
Prop. Ser. 1	301.4	317.3	.....	–
Equity Ser. 1	134.4	141.5	-0.7	–
Prop. Acc. Ser 2	464.7	489.2	+0.1	–
Equity Ser 2	156.0	164.3	-0.6	–
Selective Acc	351.1	369.6	-0.7	–
Prop. Ser. 4	362.9	382.0	.....	–
Equity Ser. 4	157.5	165.8	-0.5	–
Man. Ser. 4	447.8	471.4	-0.3	–
Fixed Int. Ser. 4	226.9	228.4	+0.2	–
Indexed Inv. Ser. 4	143.0	150.7	+0.2	–
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OTHER UK UNIT TRUSTS

Continued on next page

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National Financial Management Corp PLC
72 Gatehouse Rd, Aylesbury, HP19 3XJ 0296 395539

	Bid Price	Offer Price	+ or −	Yield Gross
Life Funds				
Managed Cautionary	106.0	111.6	----	−
Managed Growth	141.3	148.8	+0.5	−
Managed Opportunity	145.2	152.9	+0.3	−
NFMC Target Financial	103.9	109.4	----	−
Pension Funds				
Managed Cautionary	110.5	116.4	−0.1	−
Managed Growth	145.7	153.4	+0.7	−
Managed Opportunity	148.4	156.3	+0.4	−
NFMC Target Mngd Pen	1549.7	1631.3	+3.3	−

National Mutual Life
The Priory, Priory Pk, Hitchin, SG5 2DW 0462 422422

	Bid Price	Offer Price	+ or −	Yield Gross
Managed Fund	226.6	238.6	----	−
Managed Prospect Fund	190.1	200.2	----	−
Pens Managed	286.1	301.2	----	−
Pens UK Equity	345.9	364.2	----	−
Pens Overseas Equity	365.6	384.9	----	−
Pens Property	173.7	182.9	----	−
Pens Fixed Interest	177.6	187.0	----	−
Pens Index Linked	147.5	155.3	----	−
Pens Deposit	188.2	198.2	----	−
Harvester & P.R.P.				
UK Equity	151.1	159.1	----	−
Overseas Equity	130.8	137.7	----	−
Fixed Interest	121.4	127.8	----	−
Property	144.5	152.2	----	−
Index Linked	133.9	141.0	----	−
Deposit	130.5	137.4	----	−
Managed	144.1	151.7	----	−
With Profits	134.1	141.2	----	−

National Provident Institution
48 Gracechurch St, London EC3P 3HH 01-623 4200

	Bid Price	Offer Price	+ or −	Yield Gross
Managed	346.5	364.8	+0.6	−
UK Equity	448.6	472.3	----	−
Overseas Eq	351.2	369.7	+2.0	−
Americas	251.7	265.0	+1.3	−
Far East	406.8	428.3	----	−
Property	220.8	232.5	+0.1	−
Fixed Int	220.4	232.1	−0.3	−
Indexed Gilt	140.0	147.4	+0.5	−
Deposit	158.8	167.2	----	−
Pension Fund (Accum Units)				
Managed	466.7	491.3	+0.7	−
UK Equity	556.5	585.8	−0.2	−
Overseas Eq	567.9	597.8	+2.9	−
Americas	332.5	350.0	+2.0	−
Far East	677.0	712.7	+0.5	−
Property	271.6	285.9	+0.2	−
Fixed Int	264.2	278.2	−0.3	−
Indexed Gilt	153.6	161.7	+0.6	−
Deposit	212.5	223.7	+0.1	−
NPI Pensions Management Ltd				
Managed Fund	1096.4	1116.0	----	−

Prices February 1 Next dealing March 1

Norwich Union Asset Management Ltd
PO Box 124, Norwich NR1 1JS 0603 683986

	Bid Price	Offer Price	+ or −	Yield Gross
NUAM Funds				
Managed Fund	66.1	69.6	+0.1	−
Stock Market Mngd Fund	64.9	68.3	+0.2	−
Equity Fund	69.3	73.0	−0.1	−
International Fund	61.6	64.9	+0.5	−
European Fund	71.0	74.7	+0.9	−
North American Fund	56.0	59.0	+0.3	−
Pacific Fund	70.7	74.4	+0.4	−
Property Fund	85.7	90.2	----	−
Fixed Interest Fund	51.9	54.7	----	−
Index linked Sec Fund	58.1	61.2	+0.1	−
Deposit Fund	60.7	63.9	----	−
NUAM Retirement Plans				
Mixed Fund	72.3	78.1	+0.1	−
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Norwich Union Life Insurance Soc. [illegible]

Pearl Assurance (Unit Funds) Ltd [illegible]

Pioneer Mutual Insurance Co Ltd [illegible]

Premium Life Assurance Co Ltd [illegible]

Professional Life Assurance Co Ltd [illegible]

Prolific Life & Pensions Ltd [illegible]

Property Equity & Life Ass. Co [illegible]

Providence Capital Life Ass. Co Ltd [illegible]

Providence Capital Life Ass. Co Ltd – Contd.

	Bid Price	Offer Price	+ or −	Yield Gross
Property Initial	[illegible]	[illegible]	[illegible]	[illegible]
Money Initial	[illegible]	[illegible]	[illegible]	[illegible]
Special Market Initial	[illegible]	[illegible]	[illegible]	[illegible]
Japan Equity Initial	[illegible]	[illegible]	[illegible]	[illegible]
North American Initial	[illegible]	[illegible]	[illegible]	[illegible]
Pacific Initial	[illegible]	[illegible]	[illegible]	[illegible]
Technology Initial	[illegible]	[illegible]	[illegible]	[illegible]
Nat Resources Initial	[illegible]	[illegible]	[illegible]	[illegible]
European Initial	[illegible]	[illegible]	[illegible]	[illegible]
Residential Prop Initial	[illegible]	[illegible]	[illegible]	[illegible]
Swiss Equities Initial	[illegible]	[illegible]	[illegible]	[illegible]
Hong Kong Initial	[illegible]	[illegible]	[illegible]	[illegible]
UK High Inc Eq Initial	[illegible]	[illegible]	[illegible]	[illegible]
Int. Fixed Interest Initial	[illegible]	[illegible]	[illegible]	[illegible]
Int. Managed Init.	[illegible]	[illegible]	[illegible]	[illegible]
HIP Managed Initial	[illegible]	[illegible]	[illegible]	[illegible]
Broker Funds				
High Performance	[illegible]	[illegible]	[illegible]	[illegible]
Towerhill Mngd Fd	[illegible]	[illegible]	[illegible]	[illegible]
YRA Executive Fd	[illegible]	[illegible]	[illegible]	[illegible]
£ Global Growth	[illegible]	[illegible]	[illegible]	[illegible]
£ High Income Money	[illegible]	[illegible]	[illegible]	[illegible]
IM Balanced	[illegible]	[illegible]	[illegible]	[illegible]
H.F Speculator Fd	[illegible]	[illegible]	[illegible]	[illegible]
PEP Acorn II	[illegible]	[illegible]	[illegible]	[illegible]
PEP Cautionary	[illegible]	[illegible]	[illegible]	[illegible]
AAFS Int Man Fd	[illegible]	[illegible]	[illegible]	[illegible]
Andrews-Green Inv	[illegible]	[illegible]	[illegible]	[illegible]
Individual Pension	[illegible]	[illegible]	[illegible]	[illegible]
UK Equity Acc.	[illegible]	[illegible]	[illegible]	[illegible]
UK Fixed Interest	[illegible]	[illegible]	[illegible]	[illegible]
Intl Equities Acc.	[illegible]	[illegible]	[illegible]	[illegible]
UK Managed Acc.	[illegible]	[illegible]	[illegible]	[illegible]
Property Acc.	[illegible]	[illegible]	[illegible]	[illegible]
Money Acc.	[illegible]	[illegible]	[illegible]	[illegible]
Special Market Acc.	[illegible]	[illegible]	[illegible]	[illegible]
Japan Equity Acc.	[illegible]	[illegible]	[illegible]	[illegible]
North American Acc.	[illegible]	[illegible]	[illegible]	[illegible]
Pacific Acc.	[illegible]	[illegible]	[illegible]	[illegible]
Technology Acc.	[illegible]	[illegible]	[illegible]	[illegible]
Natural Resources Acc.	[illegible]	[illegible]	[illegible]	[illegible]
European Acc.	[illegible]	[illegible]	[illegible]	[illegible]
Residential Prop Acc.	[illegible]	[illegible]	[illegible]	[illegible]
Swiss Equities Acc.	[illegible]	[illegible]	[illegible]	[illegible]
Hong Kong Acc.	[illegible]	[illegible]	[illegible]	[illegible]
UK High Inc Eqs Acc.	[illegible]	[illegible]	[illegible]	[illegible]
Int Fixed Interest Acc.	[illegible]	[illegible]	[illegible]	[illegible]
Int Managed Acc.	[illegible]	[illegible]	[illegible]	[illegible]
Group Pension Funds				
Equity Acc.	[illegible]	[illegible]	[illegible]	[illegible]
Fixed Interest Acc.	[illegible]	[illegible]	[illegible]	[illegible]
Managed Acc.	[illegible]	[illegible]	[illegible]	[illegible]

Provident Life Assoc Ltd [illegible]

Provident Mutual Life Assc. Assn. [illegible]

Prudential Assurance Co [illegible]

Prudential Holborn Life Ltd [illegible]

Prudential Holborn Pensions Ltd [illegible]

Prudential Pensions Limited [illegible]

Regency Life Assurance Co Ltd [illegible]

Reliance Mutual [illegible]

Royal Heritage Life Assurance Co Ltd [illegible]

Royal Heritage Life Assurance Ltd—Contd. [illegible]

Royal Life Insurance Ltd [illegible]

Royal Liver Assurance [illegible]

Save & Prosper Group [illegible]

Scottish Amicable [illegible]

Scottish Equitable Life Assce. Soc. [illegible]

Scottish Life Investments [illegible]

Scottish Mutual Assurance Society [illegible]

Scottish Mutual Investments [illegible]

Scottish Provident Institution [illegible]

Scottish Widows' Group [illegible]

Shield Assurance Ltd [illegible]

Skandia Life Assurance Co Ltd [illegible]

Standard Life Assurance Company [illegible]

Sun Alliance Group [illegible]

Sun Life of Canada (UK) Ltd [illegible]

Sun Life Unit Assurance Ltd [illegible]

Swiss Life (UK) PLC [illegible]

TSB Life Ltd [illegible]

Target Life Assurance Co Ltd [illegible]

Teachers' Assurance Company Ltd [illegible]

Tunbridge Wells Equitable [illegible]

UK Life Assurance Co Ltd [illegible]

Western Assurance Society [illegible]

Windsor Life Assur Co Ltd [illegible]

Zurich Life Assurance Co Ltd [illegible]

MANAGEMENT SERVICES

[illegible]

Sharp (Albert E.) & Co.
12 Newhall Street, Birmingham B3 3ER 021 200 2244

	Bid Price	Offer Price	+ or −	Yield Gross
Man-Clerical Med.	147.1	154.9	−0.5	−
Pens Man MM	674.0	709.4	−0.7	−

Sitala Fund Managers Limited
Sitala House, The Causeway, Bishop's Stortford, Herts. 0279 757696

	Bid Price	Offer Price	+ or −	Yield Gross
Sitala Managed Funds				
Royal Heritage SGF	102.5	107.9	----	−
Royal Heritage CGF	133.4	140.5	----	−
Royal Heritage HIF	139.3	146.7	----	−
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

South Yorks Investment Management [illegible]

Tattersall Investment Mngt. Ltd [illegible]

Tenvy Law & Co [illegible]

University Medical General Ltd. [illegible]

J. D. Ward Financial Services Ltd [illegible]

Westcourt Asset Management Ltd [illegible]

OFFSHORE AND OVERSEAS

GUERNSEY (SIB RECOGNISED)

[illegible]

Royal Bank of Canada Funds
RBC Offshore Fund Managers Ltd
PO Box 246, St Peter Port, Guernsey 0481 23021

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or −	Yield Grs
Intl Capital Fd	5	$54.19	54.19	58.90	+0.89	−
Far East & Pacific Fd	5	$43.93	43.93	47.72	(z)	−
North America Fd	5	$13.34	13.34	14.40	(z)	−
Canadian Fd	5	C$12.85	12.85	13.84	(z)	−
Intl Bond Fd	5	$12.03	12.03	12.73	(z)	2.34
European Fund	5	$12.31	12.31	13.35	(z)	−
British Fund	5	£5.26	5.26	5.71	+0.11	−
RBC Intl Currencies Fd Ltd						
US$		$−		33.63	+0.82	−
Canadian $		C$−		44.89	+0.04	−
£ Sterling		£−		19.66	+0.02	−
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

JERSEY (SIB RECOGNISED)

[illegible]

IoM (SIB RECOGNISED)

[illegible]

LUXEMBOURG (SIB RECOGNISED)

[illegible]

FT UNIT TRUST INFORMATION SERVICE

● Current Unit Trust Prices are available on FT Cityline. To obtain your free Unit Trust Code Booklet ring the FT Cityline help desk on 01-925-2128

SWITZERLAND (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (**)

JERSEY (**)

ISLE OF MAN (**)

LUXEMBOURG (**)

DUBLIN (**)

OFFSHORE INSURANCES

OTHER OFFSHORE FUNDS

	Bid Price	Offer Price	+ or −	Yield Gross
Nomura Asia Europe Fund				
NAV Feb 2	$11.23		+0.02	–
Nomura Dragon Global Fund				
NAV Feb 2	$10.92		−0.02	–
Nomura Growth Fund SA				
NAV Feb 2	Y18,040		+41	–
Nomura Prudential Fd Pt II				
NAV Feb 2	$15.37		−0.02	–
Nomura Prudential Global Portfolio				

	Bid Price	Offer Price	+ or −	Yield Gross
Transworld Bond Trust				
NAV Feb 2	$11.23		+0.01	–
Tyndall International (Bermuda) Ltd				
American Special Sits	$42.17	44.29	+0.32	–
Capital Protection	$10.17	10.68	–	–
Commodity Feb 2	$26.33	27.65	–	–
Eurobond	$29.35	30.83	+0.32	–
Money Feb 2	$34.00	35.72	+0.01	6.88
Mortgage Feb 2	C$13.71	14.40	.....	–
North American	$35.93	37.74	–	–
Overseas	$29.64	31.13	+0.07	–
Pacific Gold	$5.87	6.17	+0.13	–
Mercury 90:10 Trust (Bdas)				
Dollar Fd BOPUPs	$10.61	10.62	.....	–
Dollar Fd OPUPs	$13.43	13.63	.....	–
Sterling Fd BOPUPs	£10.72	10.73	.....	–
Sterling Fd OPUPs	£14.59	14.60	.....	–
DM Fd BOPUPs	DM10.27	10.28	.....	–
DM Fd OPUPs	DM13.19	13.57	.....	–
Yen Fd BOPUPs	$8.37	8.38	.....	–
Yen Fd OPUPs	$13.28	13.48	.....	–
Wardley Investment Services Ltd				
Wardley S.E. Asia Tst	$12.36	13.12	.....	0.84
Wells Fargo U.S. IT Fund				
NAV Feb 1		$9.55	.....	–
Yamaichi Dynamic Mngt Co SA				
Advanced Tech		$26.79	.....	–

Money Market Trust Funds

	Gross	Net	Gr Equiv CAR	Int Cr
Charities Aid Fndtn Money Mngmt Co Ltd				
48 Pembury Road, Tonbridge TN9 2JD			0732 770114	
Cafcash Deposit Fd	14.72	–	15.55	3-mth
The Charities Deposit Fund				
2 Fore Street, London EC2Y 5AQ			01-588 1815	
Deposit	14.80	–	15.64	3-Mth
Gartmore Money Management Ltd				
2-3 White Hart Yard, London SE1R 1NX			01-236 1425	
Call Fund	14.74	11.54	15.83	6-Mth
7-day Fund	14.81	11.59	15.90	6 Mth
Special Fund	14.86	–	16.35	Mth
Dollar	7.00	5.48	7.45	6 Mth

Money Market Bank Accounts

	Gross	Net	Gr Equiv CAR	Int Cr
Aitken Hume Bank plc				
30 City Road, EC1Y 2AY			01-638 6070	
Treasury Acc	13.50	10.56	14.64	Qtr
Hi Int Chq £1,000-14,999	13.50	10.56	14.77	Mth
Hi Int Chq £5,000-£49,999	14.00	10.95	15.35	Mth
Mth Int Chq £50,000+	14.50	11.35	15.94	Mth
Allied Trust Bank Ltd				
97-101 Cannon St, London EC4N 5AD			01-626 0802	
OMNA (£2,001 +)	14.50	11.36	15.94	Mth
HICA (£2,001 +)	13.90	10.88	15.248	Mth
Bank of Ireland High Interest Cheque Acc				
36 Queen St, EC4R 1BN			01-625 7000	
2,000–9,999	13.738	10.750	14.922	Qtr
£10,000 +	14.058	11.000	15.283	Qtr
Bank of Scotland				
38 Threadneedle St, EC2P 2EH			01 601 6746	
Western Trust High Interest Cheque Acc				
The Moneycentre, Plymouth PL1 1SE			0752 224141	
£25,000+	14.50	11.35	15.78	Qtr
£5,000–£24,999	14.25	11.15	15.50	Qtr
£1,000–£4,999	14.00	10.96	15.22	Qtr
Wimbledon & South West Finance Co Ltd				
114 Newgate St, London EC1 7AE			01-606 9485	
High Int Cheque Acc	14.50	11.35	15.79	Qtr

NOTES–Gross rate to those exempt from composite rate of tax. Net actual rate after deduction of CRT. Gr Equiv CAR: Gross equivalent to basic rate taxpayers-compounded annual rate. Int Cr frequency interest credited.

UNIT TRUST NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % allow for all buying expenses. Prices of certain older insurance linked plans subject to capital gains tax on sales. b Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. z Previous day's price. ⊕ Guernsey gross. ● Suspended. ♦ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. ♦ Yield column shows annualised rates of NAV increase. xd ex dividend. (**) Funds not SIB recognised.

WORLD STOCK MARKETS

INDICES

NEW YORK

DOW JONES	Feb 1	Jan 31	Jan 30	Jan 29	1989/90 HIGH	1989/90 LOW	Since compilation HIGH	Since compilation LOW
♦Industrials	2586.26	2590.54	2543.24	2553.38	2810.15 (2/1/90)	2144.64 (3/1/89)	2810.15 (2/1/90)	41.22 (2/7/32)
Home Bonds	91.12	90.95	90.82	91.20	94.15 (2/8/89)	87.35 (23/3/89)	—	—
Transport	1060.28	1045.87	1031.83	1074.50	1532.01 (5/9/89)	959.95 (3/1/89)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	223.28	223.65	218.69	218.44	236.23 (2/1/90)	181.84 (24/2/89)	236.23 (2/1/90)	10.50 (8/4/32)

♦Day's High 2611.49 (2600.90) Low 2571.85 (2546.85)

STANDARD AND POOR'S

	Feb 1	Jan 31	Jan 30	Jan 29	1989/90 HIGH	1989/90 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	328.79	329.07	322.98	325.20	359.80 (9/10/89)	275.31 (3/1/89)	359.80 (9/10/89)	4.40 (1/6/32)
Industrials	378.33	378.69	371.92	374.31	411.20 (2/1/90)	318.66 (3/1/89)	411.20 (2/1/90)	3.62 (21/6/32)
Financial	27.89	27.93	27.31	27.63	35.24 (9/10/89)	24.30 (3/1/89)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	181.52	181.50	178.43	179.73	199.34 (9/10/89)	154.98 (3/1/89)	199.34 (9/10/89)	4.46 (25/4/42)
Amex Mkt. Value	351.50	350.07	345.50	349.54	397.03 (10/10/89)	305.24 (3/1/89)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	417.76	415.81	410.72	418.11	485.73 (9/10/89)	378.56 (3/1/89)	485.73 (9/10/89)	54.87 (31/10/72)

	Jan 26	Jan 19	Jan 12	year ago (approx.)
Dow Industrial Div. Yield	4 20	3.99	3.96	3.46

	Jan 31	Jan 24	Jan 17	year ago (approx.)
S & P Industrial div. yield	3.13	3 11	3.03	3.12
S & P Indl. P/E ratio	14.04	14.09	14.39	13.40

NEW YORK ACTIVE STOCKS

Thursday	Stocks traded	Closing price	Change on day
Chase Manhattan	5,418,500	30⅛	− ½
Texaco	3,141,700	58	− ¼
Philip Morris	2,371,500	38	+ ⅛
Compaq Comp	1,986,400	78⅛	+ 2⅞
Am T & T	1,869,400	38⅞	− ⅝
Global Mar	1,846,400	4	+ ¼
IBM	1,725,900	97⅞	− ⅞
Bank of N. Eng.	1,590,000	5⅛	+ ¼
Am Express	1,563,700	30	+ ⅛
East Utl	1,515,700	37⅛	− ⅛

TRADING ACTIVITY

† Volume (Millions)	Feb 1	Jan 31	Jan 30
New York	151.057	190.285	184.581
Amex	11.374	11.9695	14.867
NASDAQ	(u)	147.997	160.160
Issues Traded	(u)	1,963	1,974
Rises	(u)	1,107	392
Falls	(u)	445	1,155
Unchanged	(u)	411	427
New Highs	(u)	8	9
New Lows	(u)	90	199

CANADA

TORONTO	Feb 1	Jan 31	Jan 30	Jan 29	1989/90 HIGH	1989/90 LOW
Metals & Minerals	3004.18	3057.12	3048.70	3056.64	3919.2 (1/9/89)	3004.18(1/2/90)
Composite	3709.05	3704.42	3707.00	3722.52	4037.8 (6/10/89)	3350.5 (6/1/89)
MONTREAL Portfolio	1872.91	1871.06	1864.30	1875.79	2069.68(10/10/89)	1677.48 (3/1/89)

Base values of all indices are 100 except NYSE All Common—50; Standard and Poor's—10; and Toronto Composite and Metals—1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds.‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Feb 2	Feb 1	Jan 31	Jan 30	1989/90 HIGH	1989/90 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1669.3	1670.9	1677.0	1695.8	1781.8 (29/8/89)	1412.9 (7/4/89)
All Mining (1/1/80)	843.0	837.9	846.3	859.4	875.1 (29/8/89)	652.6 (7/4/89)
AUSTRIA						
Credit Aktien (30/12/84)	603 06	587.27	581.38	579.51	603.06 (2/2/90)	239.5 (2/1/89)
BELGIUM						
Brussels SE (1/1/88)	6237.52	6226.46	6237.14	6259.76	6805.28 (26/9/89)	5519.30 (4/1/89)
DENMARK						
Copenhagen SE (3/1/83)	(u)	373.55	371.07	366.34	374.24 (18/1/90)	275.49 (27/2/89)
FINLAND						
Unitas General (1975)	667.2	(u)	663.4	660.8	815.8 (18/4/89)	580.8 (23/11/89)
FRANCE						
CAC General (31/12/82)	521.33	520.83	519.20	524.31	561.6 (11/10/89)	417 9 (4/1/89)
CAC 40 (31/12/87)	1924.70	1895.53	1882.88	1892.03	2006 42 (4/1/90)	1525.38 (27/2/89)
GERMANY						
FAZ Aktien (31/12/58)	795.38	774.10	761.48	758.64	795.38 (2/2/90)	535.78 (27/2/89)
Commerzbank (1/12/53)	2334 7	2274.4	2237.5	2230.1	2334.7 (2/2/90)	1595 7 (27/2/89)
DAX (30/12/87)	1910 67	1858.08	1822.78	1812.90	1910.67 (2/2/90)	1271.70 (23/2/89)
HONG KONG						
Hang Seng Bank (31/7/64)	2736.55	2738.24	2751.60	2760.88	3309.64 (15/5/89)	2093.61 (5/6/89)
IRELAND						
ISEQ Overall (4/1/88)	1860.86	1859.11	1837.46	1833 97	1893.10 (22/1/90)	1360.64 (10/1/89)
ITALY						
Banca Com. Ital. (1972)	684.37	684.27	682.76	679 99	734.84 (31/8/89)	577.49 (28/2/89)
JAPAN						
Nikkei (16/5/49)	37650.15	37206.42	37188.95	37215.67	38915.87 (29/12/89)	30183.79 (5/1/89)
Tokyo SE (Topix) (4/1/68)	2762.40	2754.89	2737.57	2741.22	2884.80 (18/12/89)	2366.91 (6/1/89)
2nd Section (4/1/68)	4134.53	4116.53	4088.33	4076.69	4134.53 (2/2/90)	2774.38 (27/3/89)
MALAYSIA						
KLSE Composite (4/4/86)	587.85	(c)	570.21	(c)	592.90 (11/1/90)	357.31 (3/1/89)
NETHERLANDS						
CBS Ttl.Rtn.Gen.(End 1983)	256.8	254.1	252.7	252.4	272.7 (21/9/89)	208.3 (3/1/89)
CBS All Shr (End 1983)	197.0	194.9	193 8	193 6	210.5 (8/9/89)	166.7 (1/3/89)
NORWAY						
Oslo SE (2/1/83)	776.12	776.36	759.85	755.80	776.36 (1/2/90)	467.17 (2/1/89)
PHILIPPINES						
Manila Comp (2/1/85)	1016.02	1043.28	1048.93	1063.64	1396.26 (20/11/89)	804.62 (6/2/89)
SINGAPORE						
SES All-Singapore (2/4/75)	438.13	432.80	425.16	424.46	438.13 (2/2/90)	300.07 (4/1/89)
SOUTH AFRICA						
JSE Gold (28/9/78)	2252.04	2180.0	2184.0	2219.0	2254.0 (12/12/89)	1291.0 (15/2/89)
JSE Industrial (28/9/78)	3025 04	2933.0	2923 0	2927 0	3025.0 (2/2/90)	1961.0 (3/1/89)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	878.15	886.83	896.16	888.47	1007.80 (3/4/89)	844 75 (11/12/89)
SPAIN						
Madrid SE (30/12/85)	283.19	280.74	278.92	279 49	328.93 (13/9/89)	268.61 (1/3/89)
SWEDEN						
Jacobson & P. (31/12/56)	(u)	(u)	(u)	(u)	4660.3 (16/5/89)	3333.9 (3/1/89)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	763 4	754.7	750.5	748.8	829.1 (6/9/89)	613.1 (3/1/89)
TAIWAN**						
Weighted Price (30/6/66)	12217.78	12087.23	12054.35	(c)	12217 78 (2/2/90)	4873.01 (5/1/89)
THAILAND						
Bangkok SET (30/4/75)	832.20	845.35	853.72	862 42	918.67 (5/1/90)	386.73 (2/1/89)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	541.6	539.9	538.9	571.0 (4/1/90)	487.6 (13/6/89)

**Saturday Jan. 27: Taiwan Weighted Price: (c) Korea Comp Ex. 905.75

& Subject to official recalculation.
Base values of all indices are 100 except: Brussels SE, ISEQ Overall and DAX – 1,000, JSE Gold – 255 7, JSE Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

WORLD STOCK MARKETS

AMERICA

Jobs data and takeover talk spur Dow recovery

Wall Street

SOME good news on the takeover front combined with generally favourable employment statistics to provide some fresh momentum for the recovery which began earlier this week, *writes Anatole Kaletsky in New York.*

After a hesitant opening, equity prices moved steadily higher in *moderately active* trading, so that by 2 pm the Dow Jones Industrial Average was 26.80 points ahead at 2,613.06, easily wiping out the 4.28 point fall on Thursday.

Trading was moderately active with 109m shares changing hands by lunchtime, while breadth was excellent, as advancing shares outnumbered losers by more than two to one.

The market's advance owed something to the unexpected partial takeover bid announced by Hoffmann-La Roche of Switzerland for Genentech, the leading US biotechnology firm.

Takeover stocks were also boosted by continuing rumours that unions at United Airlines were making good progress in financing a possible buy-out of the group. However, the market's biggest gains came before the Genentech announcement. The main cause appeared to be a general recovery in investor sentiment after Wall Street's battering last month.

The equity market certainly received no encouragement from bond traders, who panicked briefly in response to stronger than expected employment figures for January.

The market's initial sell-off pushed the Treasury's long *bond down by almost a point*, before closer inspection revealed that much of the 255,000 growth in non-farm payrolls had been caused by weather-related aberrations and statistical revisions.

The market's expectation had been for a 180,000 increase in employment. But much of the unexpected growth could be explained by a downward revision of 44,000 in December's figure.

The bond market gradually recovered most of its losses as traders woke up to these aberrations. By lunchtime the long bond was down only ⅛ at 96⅜, to yield 8.46 per cent.

Equity traders largely ignored the bond market's gyrations, continuing to bargain hunt for stocks across the whole range of industries.

Consumer stocks were led by Coca-Cola, which rose $1¼ to $70¼. Heavy industrials were also in demand, with Dow Chemical rising $1¼ to $64⅛.

Takeover stocks also recovered, propelled by rumours that the UAL unions were preparing a bid worth $180 a share. These rumours first surfaced in late trading on Thursday, when UAL stock advanced by $8¼. Yesterday morning the shares rose a further $3⅞ to $13.

Genentech was suspended at $21⅞ after Hoffmann-La Roche announced that it had agreed to buy half the company's stock for $36 a share.

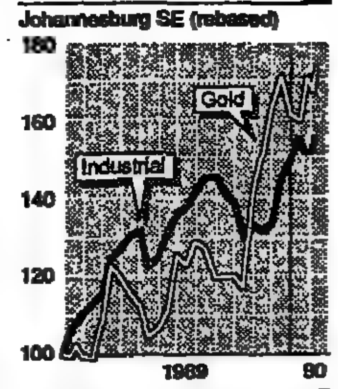
Canada

THE RISE on Wall Street provoked gains in Toronto, but trading was light because of nervousness over high interest rates. The composite index rose 14.1 to 3,723.2 on volume of 14.6m shares. Advances led declines by 258 to 196.

Gold shares fell 83.18 to 7,816.78 in spite of a rise in the London spot bullion market. Among gold stocks, Lac Minerals fell C$¼ to C$15¼, Placer Dome C$⅜ to C$23⅜, American Barrick C$⅛ to C$20⅞ and Agnico-Eagle was flat at C$12⅞.

South Africa

Johannesburg SE (rebased)



Reform plans give lift to Johannesburg

THE JOHANNESBURG market was in elated mood yesterday, as both gold shares and industrials soared in the initial reaction to far-reaching political reforms proposed by the South African President.

The gold producers' index jumped 72 to 2,252, only 2 points below its December 12 high; industrials, which had lagged behind golds in relative terms since the second half of December, rose 92 to 3,025, breaching their January 15 high of 3,023.

Both local and foreign investors judged that the political changes will get a good response around the world. *However, both UK and South African observers noted that* the market was short of stock and that there were few if any sellers around yesterday.

EUROPE

German turnover breaks record

THE HEADY atmosphere in Frankfurt drifted into other *senior continental bourses* yesterday, but West Germany kept plenty of impetus for itself, *writes Our Markets Staff.*

FRANKFURT had a halcyon day, as the FAZ and DAX indices easily surpassed their previous peaks, rising 21.28 to 795.38, and 52.59 to 1,910.67 respectively, for gains on the week of 5.9 and 6.5 per cent.

West German bourse volume smashed its January 3 record of DM13.1bn, rising from DM12.1bn on Thursday to DM16.5bn on a wave of foreign buying, which concentrated on international blue chips. Siemens and Daimler topped the active stocks list in turnover of DM1.74bn and DM1.73bn respectively.

The East German Prime Minister, Mr Hans Modrow, put the initial spurs to the market with his contribution to German reunification plans. Estimates that plans by Japanese country investment funds could put another Y200bn ($1.4bn) into German equities helped to bring in buyers from around the world, and forced domestic professional traders to cover short positions opened in anticipation of a correction.

Among leading stocks, Daimler Benz jumped DM46, or 5 per cent, to DM916 and Deutsche Bank gained DM33, or 4 per cent, to DM856.

Meanwhile, volume on the *new Deutsche Terminbörse* climbed to 26,544 contracts from 24,867 on Thursday. Call *options for Siemens* were again the most heavily traded instruments, followed by calls for Thyssen, Volkswagen and BASF.

PARIS had a strong, active day in response to news of a trade deficit of FFr2.2bn in December; the market had been expecting up to FFr4.5bn.

Shares advanced at the opening, before *drifting* for a while as investors seemed to worry about the deficit figure for the full year of FFr45.7bn, up from FFr32.7bn in 1988. After lunch, however, the market pushed ahead again, even before Wall Street's firm opening, which gave further support.

The CAC 40 gained 29.17 points, or 1.5 per cent, to 1,924.70, for a rise since the previous Friday of 2 per cent. Foreign interest boosted turnover to about FFr3.3bn. "There has been a great deal of neglect by the international community over the past three to four weeks, but the further rise in West Germany [yesterday] made France look rather cheaper," said one dealer.

CGE, the electronics group, was one of the most active issues, rising FFr22 to FFr567 with 518,120 shares traded. Interest in Alsthom, its railway equipment-making arm which has a healthy-looking order book, and Japanese demand were suggested as reasons.

Metaleurop jumped FFr14.10 to FFr209.10 on news that it would pay a dividend on its 1989 results – its first since 1981. Michelin, which said it would review its costs and investments in the face of lower demand for tyres, lost FFr2.90 to FFr154.10.

AMSTERDAM saw foreign interest in Frankfurt spill over into the Dutch market, where shares rose in active trading. The CBS tendency index advanced 1.1 to 113.6, a gain of 2.3 per cent over the week. The strong Wall Street opening and firmer dollar also proved encouraging.

Wolters Kluwer, the publisher, gained Fl 3.20 to Fl 47 on speculation that Elsevier, up Fl 1.90 at Fl 81.20, would merge with it or make a bid. Elsevier, which denied the rumours, has a one-third stake in Wolters. Elsewhere in the sector, VNU eased 50 cents to Fl 101.90.

ZURICH picked up steam to close higher in moderate volume, with investors showing renewed interest in industrials. The Crédit Suisse index put on 7.1 to 613.6, for a gain on the week of 3 per cent.

Ciba-Geigy, the chemicals group, climbed SFr35 to SFr3,630 after the company announced that it had agreed to a SFr30m joint venture with the Chinese to manufacture and market animal health products.

BRUSSELS ended a quiet week mainly mixed. Investors remained discouraged by high interest rates. The cash market index added 11.06 to 6,237.52, *for a rise of 0.5 per cent on the* week. Volume totalled BFr670m, slightly higher than earlier in the week.

Société Générale de Belgique lost BFr5 to BFr3,400, while its FN arms subsidiary fell BFr14 to BFr440. In chemicals, UCB gained BFr225 to BFr18,975.

MADRID continued its journey into higher ground, with the general index up 1.45 at 283.19, for a rise on the week of 2.4 per cent, although volume remained low. Banco Popular rose again, *adding 20 points* to 1,685 per cent of par value.

STOCKHOLM made progress in trade still severely restricted by the bank workers' strike. The Affärsvärlden general index gained 12.8 to 1,259.7, a rise on the week of 2 per cent. Turnover was worth SKr115m, slightly up from SKr109m on Thursday but much below the usual daily level of about SKr350m.

Ericsson, the telecommunications group, saw its free Bs rise SKr13 to SKr978 amid high expectations for the company's annual results, due to be released next week.

OSLO closed the week with the all-share index at its second consecutive record, closing 1.23 higher at 580.10 in active trading worth NKr492m.

VIENNA rose to its fourth record of the week, as the bourse index added 18.71, or 3.1 per cent, to 630.45.

Canadians search for a place to hang their Coats

Bernard Simon on a campaign for respectability

CANADA'S stock markets have never reflected the blandness which outsiders associate with things Canadian. Although the Toronto market is currently in a rather cautious mood, foreigners may still regard the geographical fringes as rather wild, and rumour-driven places.

The Vancouver and Alberta exchanges wage an endless battle to convince investors that they are on a higher plane *than gambling pits. Likewise,* the more senior exchanges in Toronto and Montreal prefer not to be tarred with the same brush as the volatile resource markets.

Ontario's over-the-counter market is the latest to join the campaign for respectability. The Ontario Securities Commission (OSC) has imposed new rules and is looking for a respectable operator to broaden the market's base.

Known officially as the Canadian Over-the-Counter Automated Trading System (Coats), the fully-computerised market has, until now, been largely confined to speculative mining stocks and new issues.

Almost 1,200 stocks are listed on Coats, a third of which *trade actively.* The listings are a mixed bag. They range from well-known international companies, such as Rolls-Royce and *Jaguar, to Ontario & Quebec* Railway, the share price of which has plummeted from C$15,000 to C$160 since a court case to decide ownership of a railway line went against it.

London Life, a leading Canadian insurer, is listed for the convenience of about 100 investors who decided not to tender their shares to the controlling shareholder. Coats also makes markets in depositary receipts for South African gold mines.

About 325m shares, with a value of C$562m, traded on *Coats last year.* But with both the new issue and mining sectors quiet, interest lately has been stagnant.

There is a consensus that, if the market is to flourish, it needs to find an overseer with a broader mandate than the OSC, which is a regulatory body with jurisdiction confined to Ontario.

Mr Court Bracken of WD Latimer & Co, one of 40 securities firms which make a market in Coats shares, says: "We want to see the Coats market taken away from the OSC and made available to companies throughout Canada."

One obvious home for the over-the-counter market is the Toronto Stock Exchange (TSE).

The TSE has so far shied away from taking over Coats, apparently fearing damage to its reputation from a close link with what is basically a speculative *market.* None the less, the stock exchange is in discussions with the OSC.

Mr Joseph Groia, the OSC's director of enforcement and director of Coats, says talks are continuing with a couple of parties and that at least one detailed proposal is expected any day.

Coats may be more attractive to the TSE with the tighter rules imposed earlier this month. They include a wider discretion for the director of Coats to decide which stocks can be quoted and traded; power to halt a quotation in the public interest; and limits on commissions and service charges.

New rules to counter manipulative trading are similar to those applied on the TSE. Coats quotations will be suspended if companies fail to comply with regulations within 90 days.

The TSE itself will put important new trading rules into effect on February 12.

The rules – which the TSE claims will make its trading procedures the most visible in the world – will give securities firms and investors price and volume data on all committed orders. To encourage bigger deals, shares in heavy demand will in future be allocated on a pro rata system based on order size, rather than equally between firms.

Cautious mood prevails in Toronto

THE MOOD on the Toronto Stock Exchange has been dampened by sliding commodity prices and a slowing economy – *ever since last October's* plunge in share prices.

Advising a 5 per cent shift away from equities to fixed-income investments, Gentrust Investment Counsellors of Montreal said this week: "We recommend caution in the stock market for coming months, and favour the defensive sectors with emphasis on large capitalisation stocks."

With the notable exception of gold mining shares, which advanced by 12 per cent in January, most sectors of the TSE have steadily weakened in the past month. The TSE 300 index dropped by more than 7 per cent last month.

Among the heaviest casualties have been the banks, *the index of which has slumped by 12* per cent during January.

One of the most volatile Canadian stocks in recent months has been Archer Communications, a *Calgary company which claims to have invented a three-dimensional sound system.*

The system made its debut last Sunday in a Coca-Cola TV commercial aired during the US Superbowl *football game in New Orleans.* Viewers and investors appear to be unimpressed. Archer shares, which doubled last year, lost more than a quarter of their value last Monday and Tuesday after the game.

ASIA PACIFIC

Twin boost fuels steady rise in Nikkei index

Tokyo

TRADING REMAINED thin in Tokyo yesterday, but interest in special interest stocks and a flood of index-linked buying took the Nikkei average sharply higher, *writes Michiyo Nakamoto in Tokyo.*

The Nikkei index closed with a gain of 443.73 to 37,650.15, for a rise on the week of 2.1 per cent. Its high for the day was 37,665.06 and its low 37,256.06. The index rose more than 190 in the first 15 minutes of trading and kept on an upward *course through the day.*

A boost from index-linked funds towards the close was the principal source of its strong finish, analysts said.

Advances, at 590, eclipsed declines at 348, while 186 issues were unchanged. Turnover was a low 587m shares, but higher than the 507m traded on Thursday. The broad-based Topix index was up 8.31 at 2,762.40 and, in London trading, the ISE/Nikkei 50 index rose 2.19 to 2,055.68.

The outlook for the yen and for interest rates did not encourage institutional buying, but there was sustained buying in smaller capitalisation issues with growth potential. "Rather than buy the market as a whole, people are buying a few earnings issues and special interest issues," said Mr Chuck Lambert at Jardine Fleming.

The interest in earnings *growth was reflected in the* rise in the Nikkei's smaller capitalisation index, which was up 0.51 per cent, compared with an increase in the large capitalisation index of 0.25 per cent. Smaller issues were thought to have greater potential for earnings growth.

Among these, Sasebo Heavy Industries continued to rise, with a Y16 gain to Y923. Mitsui Matsushima, a company that sells mainly coal and is part of the Mitsui group, added Y70 to Y1,180. It was popular as an asset play, because it owns land in Ginza and in regional areas.

Oils attracted buying on speculation of higher prices on reports that oil production in the Soviet Union was likely to fall. Nippon Mining, which is active in oil exploration, was second in volume terms with 13.9m shares and gained Y20 to Y1,080.

Osaka saw renewed interest in large capital shipbuildings which helped the OSE average to gain 207.70 to 38,524.56. Volume improved to 72m shares from 56m on Thursday.

Roundup

TURNOVER grew in Singapore, surpassing Thursday's record, and *Hong Kong* took heart from local enthusiasm.

SINGAPORE basked in record turnover for the second successive day with 228.2m shares traded, up from the previous day's 218.2m.

Japanese demand helped to push the Straits Times industrial index up 20.30 to 1,549.13, contributing to a strong 4 per cent gain on last week's closing level. As one analyst put it: "A person on the spot described the activity as like the frenzied feeding of starved Japanese sharks." National Iron and Steel, a leading blue chip, put on S$55 to S$990.

HONG KONG recovered much of its sharp, early losses. One specialist said: "Local investors *have returned to buy* and are looking round for signs of confidence." The Hang Seng index ended only 1.69 lower at 2,736.55, after plunging more than 40 points in the late morning, for a 1.1 per cent rise over the shortened week. Turnover rose to HK$787m from Thursday's HK$606m.

AUSTRALIA weakened further at the end of a disappointing week, with the industrial sector coming under additional selling pressure, although gold stocks attracted demand. The All Ordinaries index lost 1.6 to 1,669.3, or 0.9 per cent since the previous Friday, *after position-*squaring and bargain-hunting hauled it up from its day's low of 1,661.6. National turnover *was 78m shares worth A$145m.*

News Corp fell 35 cents to A$11.75, only slightly up from its seven-month low at A$11.70, on renewed concerns about *losses for the group's Sky Tele*vision satellite broadcasting venture.

THAILAND suffered widespread selling prompted by rumours that public utility unions would join Bangkok port workers' four-day strike and by Prime Minister Mr Chatchai Choonhavan's declaration that he would not stand again for the premiership. The composite shed 13.25 to 832.10.

MANILA *fell* for the *fourth* consecutive session, as participants continued to liquidate positions. The composite shed *27.26 to 1,016.02.*

TAIWAN continued to rally, as the weighted index added 130.55 to a record 12,217.78.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	THURSDAY FEBRUARY 1 1990						WEDNESDAY JANUARY 31 1990			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Day's change % local currency	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1989/90 High	1989/90 Low	Year ago (approx)
Australia (84)	150.24	−0.6	132.39	129.81	−0.6	5.19	151.13	133.37	130.62	160.41	128.28	152.61
Austria (19)	221.51	+1.2	195.19	193.50	+0.8	1.37	218.94	193.22	191.90	221.51	92.84	94.87
Belgium (61)	149.32	+0.6	131.58	129.25	+0.0	4.32	148.41	130.97	129.20	160.02	125.58	134.23
Canada (120)	139.91	+0.1	123.28	120.15	+0.1	3.82	139.79	123.38	120.00	154.17	124.67	135.91
Denmark (36)	249.15	+1.3	219.55	220.26	+1.1	1.44	245.89	217.00	217.88	250.34	165.35	155.75
Finland (26)	148.41	+0.4	130.77	123.50	+0.5	2.53	147.85	130.48	122.88	159.16	118.63	135.45
France (125)	150.03	+1.0	132.20	134.32	+0.6	2.81	148.55	131.10	133.52	157.97	112.57	118.89
West Germany (96)	129.63	+2.1	114.23	113.22	+1.7	1.87	126.97	112.05	111.36	130.32	79.56	84.11
Hong Kong (48)	112.26	−0.6	98.92	112.57	−0.6	5.07	112.94	99.67	113.26	140.33	86.41	127.46
Ireland (17)	197.56	+2.0	174.08	176.29	+1.5	2.37	193.74	170.98	173.61	198.57	125.00	135.85
Italy (96)	98.40	−0.7	86.71	91.72	−1.1	2.60	99.09	87.44	92.74	102.11	74.97	79.57
Japan (455)	185.85	+0.4	163.77	170.17	+0.6	0.48	185.18	163.42	169.20	200.11	164.22	191.98
Malaysia (36)	230.19	+0.1	202.83	239.01	+0.0	2.24	230.03	203.00	239.02	238.21	143.35	154.82
Mexico (13)	359.04	+3.0	316.38	1059.31	+3.0	0.49	348.51	307.56	1028.61	359.04	153.32	161.61
Netherland (43)	139.36	+1.0	122.80	120.50	+0.6	4.46	138.02	121.80	119.75	145.66	110.63	113.52
New Zealand (18)	69.99	+0.2	61.67	62.04	+0.8	5.68	69.85	61.64	61.55	88.18	62.64	72.81
Norway (24)	227.22	+2.5	200.22	200.08	+2.5	1.36	221.58	195.55	195.57	227.22	139.92	157.00
Singapore (26)	189.72	+0.9	167.18	162.93	+0.9	1.79	188.06	165.97	161.46	189.94	124.57	139.08
South Africa (60)	221.92	−1.6	195.55	165.27	−0.6	3.37	225.45	198.96	166.21	231.14	115.35	124.14
Spain (43)	154.94	+0.7	136.53	127.59	+0.6	4.14	153.93	135.84	126.81	169.75	143.14	144.81
Sweden (35)	198.30	+1.3	174.74	179.80	+1.0	1.91	195.79	172.79	177.97	206.95	138.45	150.22
Switzerland (62)	94.15	+0.5	82.97	87.41	+0.1	2.05	93.66	82.65	87.30	99.12	67.81	75.83
United Kingdom (306)	160.69	+0.5	141.60	141.60	+0.3	4.47	159.96	141.16	141.16	164.91	133.28	148.95
USA (542)	132.92	−0.1	117.13	132.92	−0.1	3.55	133.02	117.39	133.02	146.29	112.13	120.71
Europe (989)	143.29	+0.8	126.26	126.08	+0.5	3.40	142.11	125.41	125.37	146.66	112.63	118.57
Nordic (121)	195.87	+1.4	172.60	168.17	+1.2	1.70	193.20	170.50	166.23	198.12	137.96	144.02
Pacific Basin (667)	181.82	+0.3	160.22	166.45	+0.5	0.73	181.24	159.94	165.59	194.72	160.44	187.62
Euro–Pacific (1656)	166.81	+0.5	146.81	150.36	+0.5	1.66	165.79	146.31	149.57	174.18	141.56	159.99
North America (662)	133.24	−0.1	117.41	132.12	−0.1	3.54	133.33	117.67	132.20	146.66	112.79	121.53
Europe Ex. UK (683)	131.38	+1.1	115.77	116.46	+0.7	2.68	129.99	114.71	115.65	134.66	98.30	99.85
Pacific Ex. Japan (212)	133.37	−0.4	117.52	119.99	−0.4	4.77	133.91	118.17	120.46	140.05	111.93	135.27
World Ex. US (1849)	166.34	+0.5	146.57	149.76	+0.5	1.73	165.57	146.12	149.01	173.77	141.49	158.80
World Ex. UK (2085)	152.71	+0.3	134.56	144.33	+0.3	2.05	152.28	134.38	143.86	162.00	136.96	143.82
World Ex. So. Af. (2331)	152.98	+0.3	134.80	143.89	+0.3	2.27	152.50	134.58	143.41	161.84	136.67	144.20
World Ex. Japan (1936)	138.19	+0.3	121.77	130.52	+0.2	3.53	137.84	121.65	130.41	145.52	114.51	121.09
The World Index (2391)	153.40	+0.3	135.17	144.04	+0.3	2.28	152.94	134.97	143.57	162.05	135.68	144.08

Malaysian market closed February 1. Prices for Finland & Sweden were not fully updated following problems at the exchanges. Latest prices were unavailable for this edition.

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Five to Fifteen Years

Over Fifteen Years

Undated

1989/90 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BRITISH FUNDS—Contd

Index-Linked

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%.

INT. BANK AND O'SEAS

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

FOREIGN BONDS & RAILS

1989/90 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

AMERICANS

AMERICANS—Contd

CANADIANS

1989/90 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on next page

LONDON SHARE SERVICE

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BANKS, HP & LEASING

1989/90 High	Low	Stock	Price	+ or -	Div Net	C'vr	Y'ld Gr's	P/E
*303	216	ANZ SA1	287	-1	44c	1.4	7.4	9.6
191	134	Abbey National 10p	190	+4	7.7	2.7	5.4	7.8
*282	120½	Allied Irish Ord	265	.....	[illegible]	3.3	3.0	13.6
£131½	£111½	Algemene Fl.10	£125½	+½	Q28%	2.0	7.2	6.9
*80	61	Anglo Irish	73	.....	Q18.7%	2.7	6.0	10.0
81	57	Ansbacher (H.) 1p	75	.....	2.0	-	3.6	-
£72¼	£38¼	Bancaire Cie Fr100	£60¾	-¼	Q12¼%	-	2.2	-
£46¼	£35¼	Banco Bilbao Vlz	£39½	+¼	Q35.7%	2.0	3.4	14.5
£33	£26¾	Banco de Santander	£27¾	.....	Q21%	2.4	2.9	14.3
*286	169	Bank Ireland Ir£1	274	+4	Q23%	3.2	4.3	9.4
£19½	£17½	Bank Leumi	£19½	.....	-	-	-	-
350	345	Bank Leumi (U.K.)	345	.....	13.5	-	5.2	-
125	88	Bank Scotland	118½	+½	3.8	3.6	4.3	8.6
111¼	95½	Do. 9¼pc Irrd Pf	97¼	.....	9¼%	-	12.7	-
*67	49	Bank of Wales	54	.....	2.8	1.6	6.9	11.3
*588	404	Barclays £1	586	.....	23.0	3.5	5.2	6.7
31	19	Beachmark 20p	20	.....	1.63	1.0	10.8	11.5
363	285	Brown Shipley £1	317	-2	10.5	-	4.4	-
455	325	Cater Allen £1	415	.....	23.5	-	7.6	-
259	157	Chancery	174	.....	8.0	2.8	6.1	7.7
£23	£14½	Commerzbk DM10	£22½	+¼	Q18%	-	2.9	-
*£29	£22¾	C'hgn.Hbk Kr100	£26¾	-½	Q15%	-	5.2	-
£16¾	£10¼	Dai Ichi KBk Y50	£12¼	-¾	Q16%	8.8	0.3	41.4
£314¼	£156¼	Deutsche Bk DM50	£297¾	+6¾	Q24%	-	1.4	-
£22¼	£17¾	Espirito Santo	£19¾	.....	Q75c	3.3	2.3	13.4
260	182	First Nat. Fin 10p	228	+6	13.0	♦	7.6	♦
134	90	FNFC 6.3pc CnRedPref	116	+3	6.3%	-	7.3	-
£165¾	£131½	Fuji Bank Y50	£141¼	-½	Q15.6%	4.2	0.2	-
325	230	Gerrard & National	281	+1	18.5	-	8.8	-
154	118	Guinness Mahon 10p	154	.....	2.1	-	1.8	-
300	197	Hambros 20p	289	+1	10.0	-	4.6	-
117	90	Do. 7.5pc Cv Pf	117	.....	7½%	-	8.5	-
60	39	HK & Shang HK$2.50	56	+½	HQ36c	-	5.2	-
495	423	Joseph (Leo) £1	478	.....	15.85	-	4.4	-
145	115	King & Shaxson 20p	143	+2	9.25	-	8.6	-
422	[illegible]	Kleinwort Benson Grp	415	+5	14.0	-	4.5	-
307½	213	Lloyds £1	306	+7	11.2	4.5	4.9	6.1
56	40	Lon. Scot. Bank 10p	52	.....	2.4	♦	6.2	♦
406	287	Midland £1	382	-4	16.4	3.3	5.7	7.1
£15¼	£12¼	Mitsubishi Bank Y50	£12½	-⅛	Q16%	8.1	0.3	44.3
£14¼	£11¼	Mitsubishi Tst & Bk Y50	£11¼	-¼	Q16%	8.2	0.3	40.4
934	802	Mitsui Tst & Bk Y50	815	-3	Q16%	7.1	0.4	34.2
552	257	Morgan Grenfell £1	540	.....	10.85	-	2.7	-
*352	269	Nat Aust. Bk. A$1	310	.....	Q32c	1.5	5.0	13.5
365	255	Nat West £1	359	+4	14.12	4.4	5.2	5.6
£220	£160	Ottoman Bank	£205	.....	Q90%	-	4.4	-
83	46	Rea Bros. Group	48	-1	0.5	-	1.4	-
*240	155	Rothschild (J) Hldgs	195	+1	9.5	3.6	6.5	5.6
218	139	Royal Bk. Scotland	214	+10½	7.2	3.8	4.5	7.5
822	699	Saitama Bank Y50	733	+5	Q13%	4.7	0.4	57.2
£13¼	£10¾	Sanwa Bank Y50	£11	-½	Q16%	8.3	0.3	39.3
1735	870	Schroders £1	1655	+5	19.5	-	1.6	-
1275	655	Do. £1 N/V	1240	+15	19.5	-	2.1	-
£33¼	£19¾	Sec. Pacific $10	£21½	-½	Q$1.96	-	5.5	-
*612	449	Standard Chartd. £1	604	-2	33.9	2.9	7.5	5.2
£19¾	£13¾	Sumitomo Bank Y50	£13¾	-1¼	Q16%	7.5	0.2	53.8
£13¾	£10¾	Sumitomo Tst & Bk Y50	£10¾	.....	Q16%	8.1	0.3	40.0
147	97	TSB	145	.....	5.8	Q2.6	5.4	9.5
234	140	TSB Ch'nel Is'l	173	-1	Q6.7	3.5	3.9	8.6
£11¾	£9¼	Tokai Bank Y50	£9¾	-½	Q16%	4.1	0.3	72.2
1015	847	Toyo Tst & Bk Y50	861	+4	Q16%	6.9	0.4	37.2
610	470	Union Discount £1	585	.....	30.0	-	6.8	-
525	277	Warburg (S.G.)	494	+6	12.5	-	3.4	-
180	98	Do 6pc Cnv Prf	147	.....	6%	-	4.8	-
*284	226	Westpac $A1	273	+1	Q52.5c	1.5	9.2	7.1
468	408	Wintrust 20p	413	.....	7.8	-	2.5	-
1016	872	Yasuda Tst & Bk Y50	909	+8	Q17%	9.3	0.4	27.4

Hire Purchase, Leasing, etc.

1989/90 High	Low	Stock	Price	+ or -	Div Net	C'vr	Y'ld Gr's	P/E
545	224	Anglo Grp. 10p	288	-2	5.0	4.1	2.3	11.2
£190	£105	Do. 9½pc 1999	£112½	+4	Q9½%	-	8.4	-
*373	110	CLF Yeoman 50p	115	.....	[illegible]	3.4	9.1	3.6
71	56	Cambridge Grp Ir5p	65	.....	Q7½%	14.8	0.5	16.7
100	39	Capital Leasing Ir 10p	39	-6	Q12%	♦	2.8	♦
78	51	Cattle's (Hdgs) 10p	64	.....	3.25	2.2	6.8	9.3
408	303	Prov. Financial	379	+4	18.0	1.6	6.3	9.9
235	100	Reflex Invs. Ir5p	220	.....	Q26.4%	♦	0.6	♦
236	146	Secure Trust Grp 1p	228	.....	W7.09	1.5	4.3	11.1
208	127	Woodchester IR20p	203	.....	Q11¼%	6.2	1.1	17.7

BEERS, WINES & SPIRITS

1989/90 High	Low	Stock	Price	+ or -	Div Net	C'vr	Y'ld Gr's	P/E
577½	427	Allied-Lyons	498	.....	15.0	2.4	4.0	11.7
£29¼	£17¾	Anheuser-Busch $1	£21¾	-½	72c	-	1.7	-
1155	793	Bass	1005	-4	28.2	3.1	3.7	11.5
203	146	Boddington	157	.....	4.5	2.5	3.7	14.2
208	135	Bulmer (H.P.) 5p	186	.....	6.95	1.4	5.0	18.3
255	192	Burtonwood Brewery	222	-3	3.55	2.5	2.1	24.9
450	373	Clark (Matthew)	383	+3	13.0	2.8	4.6	10.5
*361	278	Devenish (J.A.) 5p	280	-1	4.65	3.1	2.2	17.2
[illegible]	205	Do 4.5pc Cr 2ndPf	215	.....	4½%	25.3	2.8	-
242	159	Eldridge, Pope 'A' 50p	159	-1	4.1	2.3	3.4	15.1
455	370	Fuller, S. T. A.	390	-5	4.45	4.9	1.5	18.5
690	425	Grand Metrop. 50p	684	-4	17.75	2.5	3.9	11.9
379	258	Greenall Whitley	337	.....	8.7	2.9	3.4	12.6
177	129	Do. 5.95pc CvPf £1	161	.....	5.95%	-	4.9	-
622	395	Greene King	397	.....	6.7	3.6	2.9	12.1
689	327	Guinness	661	-2	11.5	3.6	2.3	15.6
188	102	Do. 5¾pc Cnv Prf	183	-1	5.75%	25.0	4.2	-
£228¼	£119	Do 8¾pcCvLn	£221¼	-1	Q8¾%	69.0	3.7	-
261	135	Highland Dists. 20p	247	-1	3.85	2.7	2.1	23.7
*850	183	Macallan-Glenlivet	825	.....	0.88	5.7	0.1	-
1960	1335	Macdonald Martin 'A'	1935	-15	24.0	2.1	1.7	37.9
515	455	Mansfield Brewery	475	-3	9.5	3.9	2.7	14.2
[illegible]	166	Marston Thompson	212	.....	3.36	3.5	2.1	18.2
423	323	Merrydown Wine	402	+1	5.78	3.9	1.9	19.6
805	647	Morland	798	.....	10.25	4.1	1.7	17.1
[illegible]	284	Scott & New 20p	330	+3	10.83	2.3	4.3	13.1
354	273	Vaux Group 10p	302	.....	7.84	2.2	3.5	16.8
428	299	Whitbread 'A'	404	+1	12.55	2.8	4.1	10.6
496	412	Wolv. & Dudley	420	.....	9.0	3.8	2.9	13.4
535	475	Young Brew 'A' 50p	490	.....	10.2	1.8	2.8	26.2
455	395	Do. Non. V. 50p	418	.....	10.2	1.8	3.3	21.9

BUILDING, TIMBER, ROADS

1989/90 High	Low	Stock	Price	+ or -	Div Net	C'vr	Y'ld Gr's	P/E
536	329	AMEC 50p	469	-4	17.0	2.6	4.8	8.8
132	89	Do. 6½p Cm Cr Pf	114	-1	6½%	-	7.6	-
204	105	Abbey	118	.....	26.8%	4.2	7.4	4.4
116	87	Allen 5p	105	.....	4.2	2.8	5.3	8.1
163	87½	Amco Corp	125	.....	-	-	-	-
*460	77	Anglia Sec 10p	123	.....	2.0	6.7	2.1	7.4
259	140	Arncliffe 10p	140	-3	6.0	5.9	5.7	3.5
331	235	Ashtead Group 10p	275	.....	2.5	8.3	1.2	11.9
516	285	Attwoods 5p	420	.....	8.0	2.1	2.5	22.2
169	118	BMSS 10p	130	.....	4.0	3.8	4.2	8.1
275	197	BPB Inds. 50p	230	-1	10.75	2.4	6.2	8.2
219	127	Baggeridge Brick	144	+2	3.13	5.1	2.9	9.0
*73	45	Bailey (Ben) 10p	66	.....	1.9	6.8	3.8	5.1
180	79	Baldwin 10p	111	-2	2.55	♦	3.1	♦
218	125	Ball (A.H.) 5p	130	.....	6.0	1.9	4.4	14.4
94	50	Banner Homes 10p	50	.....	2.8	3.9	♦	4.5
216	153	Barratt Dev. 10p	161	+½	13.39	2.0	9.9	6.6
268	146	Bellway	198	-1	11.0	4.0	7.7	4.3
98	26	Bellwinch 10p	31	-2	3.75	1.8	16.1	4.6
261	125	Berkeley Group	201	-1	4.5	3.9	3.0	11.3
152	103	Bett Bros. 20p	140	.....	5.8	3.3	5.5	7.4
138	117	Birse Group 10p	133	-1	4.25	2.3	4.3	10.2
220	110	Blockleys 20p	135	+5	4.36	3.4	3.7	10.3
307	195½	Blue Circle 50p	235	.....	10.0	2.5	5.7	9.8
169	111	Do. 7¾pc Cr Rd Pf	126	.....	7¾%	-	8.1	-
514	372	Boot (Henry) 50p	455	.....	17.5	2.1	5.1	12.6
153	94	Breedon	102	-1	3.75	2.1	4.9	12.3
395	325	BB & EA	358	.....	4.0	6.8	♦	13.4
193	124	British Dredging	148	.....	6.0	2.0	5.4	12.0
116	81	Bryant Group	110	+2	4.8	3.5	5.8	6.5
140	103	Bucknall Austin 1p	119	.....	3.9	2.8	4.4	10.5
150	95	CALA 5p	113	.....	3.3	5.5	3.9	6.2
36	29	CCS Group 20p	32	.....	L0.45	1.6	1.9	47.6
281	130	CRH	277	+2	Q27.7%	3.7	2.4	17.7
163	78	Cakebread Robey 'A'	88	-2	4.1	2.5	6.8	7.9
128	30	Carron Phoenix 10p	90	.....	1.33	♦	2.0	♦
181	140	Colroy 10p	170	.....	7.5	4.1	5.9	5.6
1130	373	Conder Group	855	-10	11.0	4.9	1.7	14.9
119	85	Cooper Darts Grp. 10p	101	.....	4.5	1.9	5.9	8.2
269	93	Copson (F.) 5p	105	.....	4.0	2.3	5.1	9.6
377	257	Costain Group	299	-2	11.75	2.5	5.2	9.2
311	151	Countryside Props.	213	+1	4.0	♦	2.5	♦
231	163	Crest Nichol 10p	198	-1	7.15	3.9	4.8	7.2
97	70	Do 5½pc Cr Cm Rd Pf	82	+1	5½%	-	8.9	-
*59	20	Creston 10p	35	.....	1.7	1.7	6.5	11.4
143	76	Crosby (James) 10p	96	.....	3.5	6.9	4.9	3.9
65	41	Downton Tyson 10p	44	-1	0.75	2.4	2.3	24.0
511	266	Douglas (Robt. M.)	424	-4	16.5	5.8	2.0	10.4
36½	22	Dunton Group 5p	27½	-½	1.0	3.5	4.8	7.8
*196	110	EBC 50p	160	-1	6.75	3.0	5.6	7.2
49	31½	Edmond Hldgs 10p	43½	-½	1.7	3.4	5.2	6.4
148	101	Erwin Group 10p	118	.....	5.3	2.0	6.1	11.1
107	58	Erith	65	-1	3.9	1.9	8.0	8.6
297	210	Eve Group	268	-1	7.0	3.0	3.5	5.2
*161½	94	Evered	139	.....	5.4	2.7	5.2	9.6
*50½	32	Explaura L/V 5p	33	.....	-	-	-	-
210	85	Fairbriar 10p	89	.....	8.0	3.7	♦	4.8
277	66	Fed Housing 5p	75	.....	7.5	4.9	13.3	1.9
93	52	Finlan Group 10p	52	.....	4.9	1.9	12.6	5.2
325	215	Freeman Group 10p	280	.....	6.75	3.7	3.2	10.6
101	68	Galliford 5p	81	.....	3.9	2.1	6.4	10.0
283	180	Gibbs & Dandy 10p	185	.....	2.75	1.2	♦	51.7
76	31	Do. "A" 10p	37	.....	2.75	1.2	♦	10.3
883	590	Gleeson (MJ) 10p	736	+7	5.36	8.0	1.7	9.8
250	185	Graham Wood	185	-3	L7.7	3.9	5.5	5.2
195	155	Harrison Inds 10p	195xd	.....	6.85	3.1	5.9	7.2
205	150	Hatfield Ests.	170	+2	4.25	5.5	3.3	7.3
138½	85	Hewden-Stuart 10p	107	.....	2.2	5.8	2.7	8.4
£580	£345	Do. 10pc '03/08	£445	+5	Q10%	-	2.2	-
143	108	Hewetson 10p	111	-2	3.85	3.7	4.7	7.7
126	92	Do. 7pc Cm Cr Pf	92	.....	7.0	-	10.1	-
93	38	Hey & Croft 25p	39	+1	2.0	♦	10.1	♦
311	207	Heywood Williams	247	.....	11.5	3.1	6.2	6.9
128	89	Do. Cnv. Prf	102	.....	6.75	-	8.8	-
466	263	Higgs & Hill	407	.....	H20.0	3.8	6.6	9.0
106	65	How Group 10p	68	+2	3.38	3.1	6.6	6.5
50	34	Howard Hldgs. 10p	35	-1	1.5	4.6	5.7	5.9
183½	114½	Ibstock Johnsen	136	.....	5.5	3.3	5.4	6.8
44	22	Do. Warrants	35	.....	-	-	-	-
148	57½	Jackson Group 10p	108	-2	2.65	3.2	3.3	12.9
*156	110	Jarvis 5p	120xd	.....	2.25	3.3	2.5	13.2
121	84	Jennings A$.50	97	.....	Q20%	2.1	4.9	9.6
104	65	Kingspan Gp Ir20p	103	.....	L1.71	4.1	2.2	11.9
£43¾	£35¼	Lafarge Cop. FFr25	[illegible]	+¼	Q25%	5.3	1.8	10.6
370	194	Laing (John)	278	.....	12.0	4.2	5.9	5.4
370	170	Do. "A" N/Vtg	240	.....	12.0	4.2	6.7	4.8
405	260	Latham (J.) £1	265	.....	10.75	3.5	5.4	7.1
159	68	Lawrence (W.)	81	.....	7.5	3.3	12.3	3.3
160	80	Do 8.5pc CnvRdPf £1	100	-5	8½%	-	11.3	-
76	48½	Lilley 12½p	60	.....	a1.64	3.7	3.6	(7.8)
115	83	Lon & Clydeside	112xd	-1	6.3	♦	7.5	♦
*511	104	Lovell (G.F.)	333	.....	N7.0	-	2.8	-
287	214	Lovell (Y. J.)	246	+1	8.75	4.2	4.9	6.4
395	297	McAlpine (Alfred)	358	+3	16.1	1.6	6.0	13.7
407	73	McCarthy & Stone 20p	108	-1	3.95	1.9	4.9	14.4
*322	185	McLaughlin & H.	202	.....	9.0	3.5	5.9	6.7
240	185	Manders (Hldg)	199	.....	6.35	2.1	4.3	14.7
192	113	Marley	139	.....	6.35	2.6	6.1	8.2
145	97	Marshalls	121	.....	4.38	4.0	4.9	6.2
114	88	Do. 6½p Cr Cm Rd Pf	100	+1	6.5	-	8.7	-
124	67	Maunders (J.) 20p	79	-2	4.75	4.0	8.4	4.0
473	302	Meyer Int.	359	.....	15.0	4.0	5.6	5.8
349	109	Miller (Stan) 10p	162	.....	4.0	2.6	3.3	13.7
66	38	Miskin Grp 20p	39	.....	Wd1.38	4.5	4.7	5.2
474	314	Mowlem (J)	352	.....	19.5	2.3	7.4	7.7
146	69	NSM 10p	113	-1	3.0	2.1	3.5	(15.4)
106	76	Needler Group	94	.....	9.8	2.2	5.3	8.4
211	158	Newman-Tonks	192xd	.....	9.3	♦	6.5	♦
*197	121	Persimmon 10p	156	+3	5.0	5.4	4.3	5.7
115	67	Phoenix Timber	104	.....	2.75	2.7	3.5	11.0
£161½	£104¼	Pochins	£131	.....	24.0	7.0	2.4	6.6
161	95	Polypipe 10p	109	+1	3.0	3.6	3.7	9.2
171	110	Prowting 20p	135	+4	5.0	4.2	4.9	6.4
111	52	Quiligotti 5p	71	.....	2.0	2.4	3.8	12.6
819	503	RMC	685	.....	14.5	4.3	2.8	10.6
112	82	Raine Inds. 10p	101½	.....	3.0	2.4	6.6	8.2
285	93	Ramus	200	.....	7.5	2.6	10.0	5.1
639	415	Redland	[illegible]	-1	19.8	2.4	4.6	10.0
£116	£89	Redland Cap 7¼pc Cr '12	£107½	-½	Q7¼%	-	6.7	-
139	104	Roskel 10p	121	+1	3.0	3.9	[illegible]	10.0
226	132	Rugby Group	179	+2	5.2	3.5	3.9	9.9
*405	215	Rush & Tompkins	215	-25	15.2	2.4	9.6	5.4
41	18	SWP Group 5p	20	+1	0.5	6.1	3.3	6.6
140	118	Sandell Group 10p	121	.....	4.4	1.8	4.8	11.9
137	86	Severfield-Reeve 10p	97	-1	2.75	4.2	3.8	8.3
195	87	Sharpe & Fisher	95	-1	4.0	2.9	5.6	8.1
152	113	Sheffield Insuls 10p	138	.....	4.25	2.2	4.1	14.6
176	143	Sheriff Hldgs. 5p	153	-2	5.25	2.4	4.6	12.3
245	120	Shorco Grp	200	.....	3.75	3.9	2.5	13.8
328	213	Sindall (Wm) 5p	258	.....	5.0	5.9	2.6	8.8
188	128	Smart (J.) 10p	181	.....	6.4	2.7	4.7	10.6
*489½	299	Steetley	389	.....	11.5	3.5	3.9	9.1
374	209	Tarmac 50p	248	-2	10.0	3.6	5.6	6.6

BUILDING, TIMBER, ROADS – Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

ELECTRICALS

ELECTRICALS – Contd

ENGINEERING

ENGINEERING – Contd

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.) – Contd

INSURANCES

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PAPER, PRINTING, ADVERTISING

PROPERTY

PROPERTY—Contd

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRANSPORT

TRUSTS, FINANCE, LAND

Investment Trusts

TRUSTS, FINANCE, LAND—Contd

Finance, Land, etc

WATER

OIL AND GAS

OIL AND GAS—Contd

1989/90 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
38¾	16¼	Monument Oil 5p	38¾	+½	–	–	–	31.1
30	15	New London 5p	18½	–½	–	–	–	–
36½	24½	NZ Oil & Gas NZ$0.50	27	.....	–	–	–	–
£17¼	£10	Norsk Hydro Kr20	£17¼	+¼	Q18¼%	4.0	2.0	12.6
30	19	North Sea Assets 5p	24	.....	–	–	–	–
£19¾	£13½	Occidental Pet. 20c	£15½	+¼	Q$2.50	–	8.9	–
33	17	Ohio Res.	28	.....	–	–	–	–
56	23½	Oliver Res.	28½	+1½	–	–	–	–
5	2	Pan Pacific Pet.	2½	.....	–	–	–	–
£244	£182½	Petrofina SA	£197¼	–2½	BFr400	2.5	3.2	7.7

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

Tins

MINES—Contd

1989/90 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's
90	90	Tanjong 15p	90	.....	–	–	–

Miscellaneous

1989/90 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's
247	69	Anglesey Mining 9p	155	.....	–	–	–
166	18	Do. Warrants	95	.....	–	–	–
32½	12	Anglo-Dominion	14½	.....	–	–	–
706	386	Bond Intl. Gold	617	+6	–	–	–

THIRD MARKET

1989/90 High	Low	Stock	Price	+ or –	Div Net	C'vr	Gr's	P/E
40	15	Vizcaya Hldgs 5p	18	.....	–	–	–	–
46½	23	Whitegate Leisure 20p	40½	+½	0.25	♦	0.8	♦
32½	10	Do. Wrrnts	24	.....	–	–	–	–
10½	4½	Wilson Group 1p	4½	.....	–	–	–	–

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ● USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially listed.
- § Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ♦ Not comparable
- ♦ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ‡ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs ‖‖ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1990. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p γ	85	.....
Craig & Rose £1 γ	430	.....
Finlay Pkg. 5p γ	58	+2
Holt (Jos) 25p γ	1340	–8

Arnotts	410	.....
Carrol (P.J.) γ	156	–1
Hall (R. & H.)	298	.....
Helton Hldgs γ	100	.....
IRG	280	.....
United Drug	160	.....

IRISH

Cap. 8½% Ln. 1991	£96⅝	.....
9pc Cap Ln. 1996	£95¼	–¼
Fin. 13% 97/02	£113¼	–¼

TRADITIONAL OPTIONS

3-month call rates

Industrials

	p
Allied-Lyons	41
Amstrad	6½
Astec (BSR)	5½
BAT	67
BOC Grp	44
BTR	37
Barclays	48
Blue Circle	20
Boots	23
Bowaters	39
Brit Aerospace	46
British Steel	9
Brit. Telecom	22
Cadburys	31
Charter Cons	42
Comm Union	40
Courtaulds	31
Eurotunnel	65
FKI	8
FNFC	22
Gen Accident	92
GEC	19
Glaxo	60
Grand Met	44
Guardian	19
GKN	33
Hanson	18
Hawker Sidd	55
ICI	98
Jaguar	85
Ladbroke	25
Legal & Gen	31
Lex Service	26
Lloyds Bank	21
Lucas Inds	54
Marks & Spencer	16
Midland Bk	26
Morgan Grenfell	38
Nat West Bk	23
P & O Dfd	51
Polly Peck	38
Racal Elect	20
RHM	39
Rank Org Ord	72
Reed Intnl	34
STC	25
Sears	9
SmKl. Beecham A	48
TI	38
TSB	9
Tesco	16
Thorn EMI	63
Trust Houses	23
T&N	16½
Unilever	57
Vickers	22
Wellcome	55

Property

Brit Land	27
Control Secs	5
Land Securities	45
MEPC	45
Mountleigh	13

Oils

Brit Petroleum	25
Burmah Oil	65
Charterhall	2½
Conroy Petm	9
Premier	10½
Shell	57
Tuskar Res	12
Ultramar	28½

Mines

Lonrho	23
RTZ	45

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £1050 per annum for each security.

FINANCIAL TIMES
Weekend February 3/February 4 1990

Peugeot criticises UK's Japanese car policy

By Ian Rodger in Tokyo and **Kevin Done** in London

THE UK's policy of attracting inward investment by Japanese car makers is an attempt to export unemployment to other European Community countries, and it will fail, Mr Jacques Calvet, president of Peugeot of France, said yesterday.

Speaking in Tokyo, Mr Calvet said the advance of Japanese car makers in the European market posed a serious threat to employment in the motor industry when the average unemployment level in Europe was close to 9 per cent.

"None of our states can today accept the aggravation of this unemployment. Even if one of them, Great Britain, by using a short-term strategy, thought it could shift the problem by luring Japanese investments, it is certain that it will fail, because the EC will ultimately be called on to define a common commercial policy, a community-wide industrial policy and a common social policy," he said.

Mr Calvet's attack on the UK comes as the EC begins a fresh attempt next week to overcome its deep internal divisions about how to tackle the competitive threat posed by the Japanese car industry in the era of the single European market, after 1992.

The issue will be discussed at a meeting of Community foreign ministers in Brussels on Monday. However, member states are still sharply divided on how the bilateral restrictions on Japanese car imports in force in Italy, France, Spain, Portugal and the UK should be phased out after 1992.

In the face of strong lobbying by some leading car makers, EC governments are coming under growing pressure to introduce a long transitional period of continuing EC restrictions on Japanese car imports.

At the same time, pressure is increasing from industry for Japanese cars produced in Europe to be taken into account in setting any future import restrictions.

Mr Calvet said European motor companies were unanimous in wanting the number of Japanese cars sold in the EC, whether imported or made in European factories, to be limited to the current level for at least 10 years – or until EC makers' sales in Japan reached roughly half the level of Japanese marque sales in the EC.

Jacques Calvet: Japanese cars pose a threat to EC jobs

He said Japanese vehicle sales in Europe last year were 1.45m, nine times the 150,000 EC-made cars sold in Japan.

"The UK will have to decide in favour of its national interests or for Europe. If it chooses Europe, and I very much hope it will, that means that the Nissan, Toyota and Honda plants in the UK will enter into the overall limit of Japanese cars, and that will mean a reduction of imports from Japan and probably elsewhere."

The cars produced at Nissan's UK operation will have an 80 per cent EC local content and the operation is about to establish a design and engineering centre. When asked by a Japanese journalist why these cars should be considered Japanese, Mr Calvet said: "Even if Nissan had 100 per cent local content as well as local design, they would go in the overall quota. The law is hard, but the law is the law."

On the basis of known projects, Japanese-owned production capacity in the EC could reach 1.5m vehicles a year over the next decade, he said. This competition, coming when there is already 15-20 per cent overcapacity in Europe, could cause one of the six full-line European producers to disappear, he said.

Automotive analysts in Europe question Peugeot's calculations on overcapacity, however, and point out that most of the assembly plants operated by the "big six" volume car makers in Europe have been working at or near to full capacity for the last two years, buoyed by record new car sales.

Zodiac Toys chain calls in receivers

By Maggie Urry

ADMINISTRATIVE receivers have been called in at Celebrity Group, the owner of the Zodiac Toys chain of 95 toy shops. The receivers hope to sell the business, which employs 600 people, as a going concern.

This is the latest of a string of receiverships at companies exposed to the downturn in consumer spending and to high interest rates on heavy debt burdens. Other retailers and companies supplying retailers have also suffered.

Zodiac Toys is the largest chain of toy shops in the UK, although other retailers, such as Woolworth, part of Kingfisher; Argos, owned by BAT Industries; and Toys 'R' Us, the US-owned toy retailer, have larger market shares. Zodiac Toys has an annual turnover of about £20m.

The receivers, Mr Richard Boys-Stones and Mr Dipankar Ghosh, of Price Waterhouse, said they were hoping "to achieve an early going-concern sale, as the business is unlikely to last long in receivership."

Mr Boys-Stones said unpaid suppliers were putting pressure on the company necessitating a speedy sale. Zodiac Toys' bankers called in the receivers on Thursday.

Last night the receivers were ringing round the landlords of the shops, asking them not to close the outlets where arrears of rent were due.

Celebrity bought Zodiac Toys in April 1988 for £7.25m, borrowing about £5m to help pay for it. Since then interest rates have risen sharply. Mr Boys-Stones said Zodiac Toy's debt level was still about £5m. It was hard to say if a sale would raise sufficient to repay the debt. Most of the group's shops are held on short leases.

Last month Celebrity sold its children's magazine publishing division – which published Rupert Bear books among others – to Clearmark Group, the renamed Fergabrook Group, a USM-quoted toy and football maker and distributor, for up to £6m. However, Celebrity received only £1m of the price in cash. That deal left Celebrity with just the Zodiac Toys chain. At the time Mr Russell King, Zodiac Toy's chairman, said the deal "enables us to invest additional resource into our core retail business of Zodiac Toys."

In late 1988 and early 1989 Celebrity had had ambitious expansion plans. It was a contender to buy Hamleys, the Regent Street toy shop, from Lowndes Queensway, the furniture and carpet retailer and to rescue The Post, Mr Eddy Shah's tabloid newspaper.

CHIEF PRICE CHANGES YESTERDAY

FRANKFURT (Dm)

Rises			
Allianz	2740	+	100
Bayer-Hypo	452	+	13
Commerzbank	331	+	13.5
Daimler-Benz	916	+	46
Deutsche Bk	855	+	33
Dresdner Bk	440	+	9

NEW YORK ($)

Rises			
Coca-Cola	70¼	+	1½
Dow Chemical	64⅛	+	1¼
Genentech	21⅜	+	[illegible]
IBM	98⅝	+	¼
Lin B'cast	111	+	4
UAL	134	+	[illegible]

PARIS (FFrs)

Rises			
Bancaire Cie	590	+	12
CGE	567	+	22
CMB Pack	215	+	9
La Henin	614	+	25
Orsan	373.5	+	14
Falls			
Chargeurs	1265	–	36

TOKYO (Yen)

Rises			
Eisa	1250	+	120
Kyowa Elect	1760	+	170
[illegible]	1440	+	200
Life Store	2430	+	260
Saitama Seni	1180	+	130
Falls			
Nihon Sugar	1100	–	150

New York prices at 12.30pm.

LONDON (Pence)

Rises			
Carlton Comms	795	+	19
Chemoxy Int'l	417	+	149
Eurotunnel Uts	655	+	37
Laing Props	564	+	14
Lloyds	306	+	7
Next	98	+	5
Radio City	468	+	45
Royal Bk Scot	214	+	10½
Triton Europe	234	+	8
Wiggins	83	+	6
Falls			
Bass	1005	–	4
Brit Aerospace	553	–	7
GKN	423	–	6
Lucas	626	–	14
Mecca Leis	151	–	4
MTM	211	–	4
Sainsbury J	285	–	2
Sock Shop	46	–	4
Wholesale Fttgs	340	–	35

WORLDWIDE WEATHER

		Y'day midday °C	°F			Y'day midday °C	°F			Y'day midday °C	°F			Y'day midday °C	°F
Ajaccio	C	15	59	Dallas †	S	8	48	Madeira	C	17	63	Prague	C	5	41
Algiers	S	17	63	Dublin	C	4	39	Madrid	C	10	50	Reykjavik	F	2	36
Amsterdam	S	8	46	Dubrovnik	S	15	59	Majorca	S	17	63	Rhodes	S	16	61
Athens	C	11	52	Edinburgh	F	6	43	Malaga	S	17	63	Rio de Janeiro		–	–
Bahrain	S	20	68	Faro	C	16	61	Malta	F	17	63	Rome	F	16	61
Barcelona	S	15	59	Florence	C	11	52	Manchester	F	6	43	Salzburg	F	9	48
Belfast	F	5	41	Frankfurt	F	10	50	Melbourne	C	19	66	S'Francisco †	S	7	45
Belgrade	S	13	55	Geneva	C	9	48	Mexico City		–	–	Santiago		–	–
Berlin	F	9	48	Gibraltar	S	17	63	Miami †	S	24	75	Seoul	F	0	32
Biarritz	C	12	54	Glasgow	C	6	43	Milan	R	8	46	Singapore	F	31	88
Birmingham	S	7	45	Guernsey	C	7	45	Montreal †	F	-8	18	Stockholm	C	5	41
Blackpool	F	8	46	Helsinki	Fg	2	36	Moscow	C	-1	30	Strasbourg	C	9	48
Bombay	S	28	82	Hong Kong	C	15	59	Munich	C	3	37	Sydney	R	20	68
Bordeaux	F	13	55	Innsbruck	C	5	41	Nairobi		–	–	Tangier	F	16	61
Boulogne	F	10	50	Inverness	R	4	39	Naples	F	17	63	Tel Aviv	S	15	59
Bristol	S	7	45	Isle of Man	C	7	45	Nassau		–	–	Tenerife	C	18	64
Brussels	F	8	46	Istanbul	F	6	43	Newcastle	R	5	41	Tokyo	S	4	39
Buenos Aires		–	–	Jersey	F	9	48	New Delhi	S	18	64	Toronto †	C	-3	27
Budapest	C	5	41	Johannesburg	F	23	73	New York †	C	11	52	Tunis	R	14	57
Cairo	F	17	63	Las Palmas	C	19	66	Nice	C	14	57	Valencia	S	16	61
Cape Town	C	25	77	Leeds	S	7	45	Nicosia	S	17	63	Venice	Fg	8	46
Cardiff	R	7	45	Lisbon	F	15	59	Oporto	C	14	57	Vienna	S	7	45
Chicago †	Sn	-1	30	Locarno	R	6	43	Oslo	R	6	43	Warsaw	C	5	41
Cologne	F	11	52	London	C	9	48	Paris	F	10	50	Washington †	F	9	48
Copenhagen	R	5	41	Los Angeles †	S	12	54	Peking	S	-1	30	Wellington	S	25	77
Corfu	S	19	66	Luxembourg	C	7	45	Perth	S	27	81	Zurich	R	7	45

C–Cloudy. Dr–Drizzle. F–Fair. Fg–Fog. H–Hail. R–Rain. S–Sunny. Sl–Sleet. Sn–Snow. T–Thunder.
† Noon GMT temperatures

Iraq plans to invite foreign oil companies to finance new fields

By Steven Butler

IRAQ is planning to invite foreign oil companies to participate in financing the development of new oilfields, in a policy reversal which reflects the extreme financial pressure facing the country after its war with Iran.

The move is certain to be welcomed by the oil companies, which are keen to gain access to oil reserves since they are finding it increasingly difficult to replace their current production.

Mr Issam Al-Chalabi, the Iraqi Oil Minister, said in an interview with the oil journal Platt's Week, to be published on Monday, that a political decision had been taken to allow the oil companies back into the country and that preliminary approaches have already been made to some companies.

Iraq and its Middle Eastern neighbours have progressively excluded the largest international oil companies from activities in the region following a wave of nationalism in the 1960s and growing power of the Organisation of Petroleum Exporting Countries in the 1970s when oil company assets were nationalised.

However, the weakness of oil prices in recent years has thrown most oil producers on to hard times. Oil producing countries have been seeking a new relationship with the oil companies that would give them access to finance and technology. Billions of dollars worth of investment are likely to be needed to avoid a supply crisis and only the countries of the Middle East have sufficient reserves to supply growing world demand.

The move by Iraq could be signal to other countries in the region that would lead to more opportunities for foreign participation. Nigeria and Algeria, Opec members with smaller reserves, have recently opened doors to greater foreign involvement.

The precise terms for foreign participation in Iraq remain unclear, and Mr Chalabi ruled out the concept of a production-sharing deal, an arrangement which is common in other countries and which oil companies would prefer. However, Mr Chalabi said oil companies would be paid for their investment with crude oil from projects and actual arrangements may, after negotiations, closely resemble a production sharing contract.

Iraq will be keen to avoid any arrangement that hints at old-style oil concessions, which many developing countries regard as an infringement of sovereignty.

On the list of fields to be open to foreign participation will be the 7bn barrel Majnoon oil field, close to the border with Iran.

Costs forcing Royal Mint to give pennies a touch of steel

By Kenneth Gooding, Mining Correspondent

THE ROYAL MINT yesterday revealed one of the reasons it finds it difficult to produce profits from making money – the cost of churning out 1p and 2p coins now exceeds their face value.

But the Treasury hastened to reassure customers that the penny will not go the way of the halfpenny. Instead of eliminating the lowest-denomination coins in the currency – as has been rumoured for some time – the Treasury is considering proposals to produce cheaper 1p and 2p coins from copper-plated steel instead of bronze.

There is more than small change at stake. Demand for bronze coins has been rising rapidly – the number of 1p coins in circulation rose from 4.6bn to 5.1bn in the last financial year, while the number of 2p coins in circulation rose from 2.8bn to 3.25bn. But the Royal Mint's profit has fallen from £7.2m to £5m in the past two financial years.

Mr Tony Garrett, the Mint's deputy master and chief executive, said there was no indication where all the coins had gone – he suspected they were being hoarded in thousands of jam jars and bottles.

He said the cost of making the coins was "not much more than their face value but enough more for us to consider making a change."

Mr Garrett said the proposed plated coins would last just as long as existing bronze coins and have the same weight and diameter, but would be slightly thicker.

But there is no point in people melting down bronze coins to sell the metal – the copper and tin in them makes up only about half the production cost, Mr Garrett said. Any change would add up to a nightmare for vending machine companies – not only will some machines have to be reprogrammed to accept both thick and thin 1p and 2p coins, but older-style machines use magnets to assess the metal going through the mechanism.

"This is another bombshell. We don't like it," Mr Derrick Skinner, director of the Automatic Vending Association of Britain, said. The industry is already having to change its machines to cope with the smaller 5p coins coming this June and will then have to cope with the smaller 10p coins in June 1992.

Mr Skinner said each change will cost the industry between £30m and £100m. "The Government should pay because it is imposing the changes on us. And we could not possibly cope with another change to the coins until after 1992."

Hoffman La Roche

Continued from Page 1

stantial biotechnology activities, will solve Genentech's dilemma about how to fund essential expansion of its research and development and marketing in the 1990s.

Under the deal Roche will have only two seats on a board that is being expanded from 11 to 13 directors. It will be able to boost its shareholding control of Genentech by having an option to acquire the rest of the company between now and June 30 1995.

The Basle group has a separate right to buy up to 15 per cent of Genentech on the open stock exchange. Yesterday morning Genentech's stock rose by $8 to just over $30.

Genentech's two main products are Activase, a genetically engineered heart-attack drug, and Protropin, a human growth hormone. The two drugs accounted for roughly three quarters of Genentech's 1989 sales of $400.5m.

Last year Genentech made a net profit of $43.9m and with analysts forecasting $60m of 1990 sales Roche is paying around 35 times prospective earnings.

Ford electricians

Continued from Page 1

and backed by the EETPU's executive, is likely to have growing effects on Ford's plants as equipment requiring skilled electrical maintenance breaks down.

The company, which insisted that it would not re-open negotiations on its deal, would not comment on whether it would try to bring in electrical contractors to try to perform some of the electricians' work.

The electricians' strike follows prolonged disruption at Ford's Halewood plant in Cheshire caused by an unofficial strike of 550 craftsmen following the deal. The Halewood strike has led to the lay-off of 8,000 workers there.

A further 2,500 workers have been laid off at Southampton, which receives Transit van body parts from the Merseyside plant. About 150 maintenance workers at Ford's engine plant in Dagenham, Essex, are also on unofficial strike.

Amalgamated Engineering Union shop stewards are to meet in Preston, Lancashire, on Monday to discuss the dispute. AEU leaders have argued that the Halewood strikers are isolated, but the electricians' may undermine this argument.

Mr Lew Britz, EETPU executive councillor, said the union wanted the company to withdraw plans for "integrated manufacturing teams" and extend a 5 per cent allowance offered to craft workers who re-train.

Semi-skilled line-workers have been offered an extra 3 per cent allowance but the conditions for skilled allowances are more stringent. They will be paid to workers gaining electronics skills and joining manufacturing teams.

Ford, which drew up its two-year deal with the unions' national joint negotiating committee, said it was not prepared to hold further talks or to raise its offer.

The company is likely to rely on some work traditionally done by electricians being performed by other craftsmen.

The electricians think Ford's offer does not reward them adequately in view of their market worth. Skilled production electricians are among the hardest workers to recruit.

THE LEX COLUMN

A distant view of Johannesburg

In investment terms, the apparently sweeping political changes proposed yesterday in South Africa may be less significant than they seem. There is no doubt that overseas portfolio investors – US gold bugs perhaps excepted – are underweight in South Africa. But it is worth recalling that the South African stock market is in global terms insignificant: worth less than 10 per cent of the UK market and under one per cent of the world total.

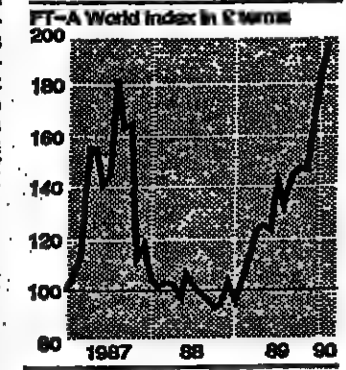
A significant change in policy by foreign institutions would obviously have a dramatic effect on the balance of supply and demand. But there are structural problems: Japanese institutions, for example, are barred at least formally from South African investment, and US investors may not buy any security issued after October 1986. But from the institutional viewpoint, the central objection to South African investment is that of long-term political risk, or the chance that revolution may reduce the value of an investment to zero.

In those terms South Africa belongs with South America, or indeed with Africa as a whole. It may be worth investing in politically risky economies in the Pacific Rim on the grounds that the growth they offer is not elsewhere available. But anything which South Africa offers the investor – gold, for instance – is available elsewhere, if more expensive. And in dry actuarial terms, any long-term investment which could be worthless tomorrow can never be cheap whatever the price.

FT Index rose 0.4 to 1,866.4

South Africa

FT-A World index in £ terms



Genetech

In one sense, Genentech's demise as an independent company is unsurprising. The example of SmithKline Beecham and Squibb/Bristol Myers has made mega-mergers accepted wisdom for the drug industry. The 65 per cent premium which Roche is paying for its initial 50 per cent stake may look rather steep; but conventional wisdom says hostile takeovers in the drug industry are impossible. Biotechnology companies have also proved remarkably slow at realising their potential, so that portfolio investors have learned caution in putting up further equity. It was to be expected that Genentech would pay no dividends in its decade as a public company. It is less acceptable that its share price should have underperformed Wall Street by 70 per cent in the past three years.

The more significant aspect of the deal is that Genentech is unique in the biotechnology business: not just the biggest and most successful, but the only company to have set itself up as rival rather than servant to the established drug industry. It now seems to be settling for a role as the biotechnology department of a Swiss company whose fortunes depend on conventional tranquillisers and antibiotics. Smaller biotech companies seem capable of maintaining their independence by undertaking research for the drug industry on a cost-plus basis. Genentech's success in developing products like human insulin, growth hormone and TPA made it more ambitious. Judging by the $500m of cash which Roche is injecting as part of the deal, its visions are greater than its desire for independence.

Markets

So much for the January effect. It has been a horrible month for investors. The euphoria of the final days of 1989 has long since evaporated, and after Wall Street's 10 per cent correction and the sharp sell-off in global bond markets, it is hard to tell whether this week's calm is a temporary lull, or whether the market has found a new floor. Throw in the negative effects on overseas returns resulting from sterling's rather surprising strength, and fund managers would have been far better off parking their money on the street at 15 per cent.

The big question now is whether it is time to begin tiptoeing back into the market. Sentiment is better than it was a week ago. The bond markets have stopped falling, Japanese investors have once again started pouring money into West Germany, and if they appear in force at next week's US Treasury auctions then 8½ per cent may well mark the current peak in long-term US rates. This would be welcome news for US equities which are still looking rather expensive relative to bonds.

This week's recovery in the London equity market means that the FT-SE is still only 4.4 per cent off its all time high. The bulls will take comfort from the strength of the share prices of politically vulnerable utility stocks such as water and British Telecom, and the re-emergence of takeover rumours. But the messages coming out of the economy and the corporate sector on both sides of the Atlantic argue for continuing caution.

Chilean Telephones

Perhaps Mr Alan Bond is returning at last to the fold of financial orthodoxy, at least in one small corner of his empire, judging by the latest news about CTC, or rather Compania de Telefonos de Chile. CTC, Chile's telephone monopoly, has been part of the Bond fortunes since 1988, after Mr Bond spotted it while passing through Santiago on his way to buy the El Indio gold mine, and snapped it up from General Pinochet.

Now it seems the Bond plan is to float part of CTC on the New York Stock Exchange, albeit by way of ADRs; and if the Santiago grape-vine has the figures right, the issue will put a value of $900m on the company as a whole, and $470m on Bond Corporation International's 52 per cent stake. It is hard to think of a more traditional way of financing a Latin American utility. Connoisseurs of stock market history will remember Antofagasta Holdings (or "Fags"), floated in London in 1888 as the Antofagasta (Chili) and Bolivia Railway Company, and still going strong.

More to the point, CTC sounds a good investment, a sort of Andean answer to Cable and Wireless. The bush-whacking Australians put in to run CTC may have upset the locals with price increases, but CTC has been growing after-tax earnings fast, with operating margins of 45 per cent, and plans to put in an extra 630,000 lines by 1997, plus a cellular network throughout the country. It should be a better bet at any rate than the loss-making Bond International Gold, the El Indio's owner, floated in New York in mid-1988 at $11.50 per share and now trading at about $10.50.

Weekend FT

SECTION II — Weekend February 3/February 4, 1990

Close encounters of a multimillion kind

Before Gorbachev there was Steven Spielberg. Nigel Andrews meets the king of the movie-brats – the man who is the most successful film-maker in history

NEVER MIND the greying hair and beard: he still looks and talks like a schoolboy. Never mind the Midas sums he earns: his off-duty clothes are jeans, baseball cap and badge-smothered combat jacket. Aged 42, Steven Spielberg still answers to the description a "movie brat." The difference is that he is said to earn $100,000 a day; he is the only living director almost everyone in the Western world has heard of; and, in terms of box-office success, he is the most successful film-maker in history.

His success should not be measured only by his wizardry in generating cash, though. Spielberg was also able to catch and mould the imagination of a generation of cinema-goers.He has done more than any other director to influence the culture we live in. Movies such as *Jaws*, *Close Encounters of the Third Kind* and *ET* have shaped popular response not just to cinema but to the world and world events. Spielberg's sci-fi fantasies, especially, have been uncannily prophetic. They tuned into a post-Vietnam craving for peace. And, years before *glasnost*, they foresaw an age when alien beings – space persons? Soviet leaders? – might offer the hand of friendship rather than the fist of war.

At the peak of his success Spielberg had produced or directed five of the 10 top-grossing movies in history. (*ET* stood, and still stands, at the top of the heap). His name commands awe in Hollywood and points east. Last year alone, Wonder Brat struck gold with *Indiana Jones and the Last Crusade* (as director) and *Back To The Future Part 2* (as executive producer). This year, his latest film as director, *Always*, opens in Britain along with a fistful of new films from Amblin Entertainment, the production company he founded in 1984.

Lately, though, the trusting, wide-eyed side of Spielberg that created *ET*, *Back To The Future* and *Always* has raised detractors' hackles. Just how welcome is this growing "empire of innocence" in a brink-of-millennium era like ours when we surely need the weapons of sophistication as much as those of bright-eyed naivety?

Spielberg insists he is now emerging from his Peter Pan phase. "My last film, *Empire Of The Sun*, was about the death of innocence, not a celebration of it," he claims (although many accused the film of turning J. G. Ballard's harsh and vivid war novel into a Boy's Own adventure with bits of St Steven inspirationalism).

When Spielberg and I met in a Los Angeles hotel on a sunny day in December, he was in the middle of a movie launch. He had previewed *Always* to a test audience, including me, the night before. And, clearly, he felt like an anxious parent at a coming-out party for his first grown-up movie romance. *Always* stars Richard Dreyfuss and Holly Hunter in an update of a 1943 Spencer Tracy film, *A Guy Named Joe*, in which a dead war pilot returns to become guardian angel to his bereaved girl-friend and the new man in her life.

No spaceships, no sharks, no whip-wielding heroes. None of the grappling hooks with which Spielberg previously has assaulted audiences and box-office records. "The whole movie's about a kinship between soul-mates," he says. "I first wanted to make this picture 10 years ago, with Paul Newman and Robert Redford. But although I developed a script, I felt I just wasn't ready then to make a romantic movie. It's taken me nine years to grow up, and now the film has become more than just a love triangle. It's about loss and how you deal with it. I love the premise of a man dying but coming back to earth and being able to communicate."

Spielberg might claim to be growing up but the yearning-for-home motif in *Always*, where "home" is life itself, has anchored his movies to audience emotions for 15 years. ET's croaked out bi-syllable "Phone home" is as magical as the clapped-out bicycle on which he rides into the moonlit sky.

Spielberg provides his own autobiographical gloss. "I think the

> *'I started making movies when I was 12. It came out of boredom . . .'*

longing for home comes from my own life. I've lived in so many different places since I was a child (that) I felt I never really had a home, and that's a feeling many people can respond to." The fantasy element in his movies also had childhood roots. "It's a result of where I grew up, in suburbia, in Phoenix, Arizona. It was a place where excitement was nowhere to be found and you had to create it if you wanted to enjoy your teenage years.

"I started making movies when I was 12. It came out of boredom, and that's also why I joined the boy scouts where I learned how to make films. There was a photography merit badge I wanted to achieve and I made a little movie on my dad's 8mm camera, even though the rules said you had to tell a story with still photographs. Once I could make films, I found I could 'create' a great day or a great week just by creating a story. I could synthesise my life. It's the same reason writers get started, so they can improve the world or fix it. I found I could do anything or go anywhere or live anywhere, via my imagination, through film."

Spielberg made an early mark in television and low-budget features but it was with three films, made in an eight-year purple patch, that he became a world name. They were *Jaws* (1975), *Close Encounters* (1977) and *ET* (1982). Each hit the right audience mood at the right time. "I can't tell you why they were so successful," he says. "I've never set out to coincide with audience tastes or moods. I make what I want to make. I've never 'crystal-balled' a fad. If *Jaws* had been made three years earlier, it would still have been a hit. *ET* could have been made four years either side of Ronald Reagan, although it wouldn't have done as well in the early '70s and I don't think it would do so well in the 1990s.

"So, yes, there are national mood swings. There are times when people want violence or sex in films. And there are also times when people crave innocence, a return to their childhoods. But, as a film-maker, you can't ride with that. You've got to ride with your own feelings at any time and hope people respond."

Today, Spielberg holds dominion over the box office, not just with his hands-on films as director but with his hands-off films as executive producer. Movies bankrolled by his Amblin Entertainment company have included hits like *Gremlins*, *Innerspace* and *Who Framed Roger Rabbit?* not to mention (although Spielberg's tax inspector certainly will) the lucrative *Back To The Future* series. Never in history has one man combined, to this degree of success and influence, the roles of movie director and movie executive.

> *'I had a gut reaction to* The Color Purple *and* Empire of the Sun*'*

"I stopped hands-on producing two years ago," says Spielberg. "I wanted more time to direct my own movies which is why, for the first time in my career, I've made two films in one year." (*Indiana Jones 3* and *Always*). "Now, if it's a film Amblin is producing, I hardly ever go on the set. I'll see rough cuts, I'll make comments, that's all. And, of course, I'll decide what films we're going to do. It's my decision to do *Back To The Future 3* or *Dad* or *Who Framed Roger Rabbit?*" So, unlike his friend and fellow Croesus, George "Star Wars" Lucas, for whom he directed the Indiana Jones series, Spielberg is not forsaking the camera wholly for the company ledger.

There are questions, nonetheless, about the direction his career is taking. Until *ET*, his films were either glowing successes or venturesome commercial failures (*The Sugarland Express*, *1941*). Since *ET*, many of the movies he has directed or green-lighted for Amblin have been (judged by both critical opinion and box-office response) dismayingly anodyne. And Spielberg's own attempts at grown-up movies, *The Color Purple* and *Empire Of The Sun*, look like only semi-successful bids to outgrow the "magic innocence" label stuck on him from earlier hits.

"I didn't make *The Color Purple* and *Empire Of The Sun* because I wanted to shake off a label," Spielberg insists. "I had a gut reaction to both novels. Ballard's book was a very moving story about the death of innocence. Before that, I had only done films celebrating innocence. And I made *The Color Purple* because I cried reading the book. I found it very moving, I don't know why."

In his own directing portfolio, Spielberg denies there is any creative distinction between films that might seem glorified hack work – the Indiana Jones romps – and more personal projects, including *Always*. "I don't divide my films. It's all just movie-making to me. For instance, this year was really busy, it's the first time in my career I've had two directed films coming out in America in the same year. But I enjoyed that because all my heroes in the past – directors like Raoul Walsh or Howard Hawks – they'd make three or four films a year. And they could do that because they weren't involved so much in pre-production or post-production. The studio would take care of all that: editing, music, sometimes even the casting. It was a factory process back then, totally different from today. But it could still turn out classics: films like *Casablanca*, which came not out of great forethought or white-hot inspiration but out of accident, almost, combined with great studio organisation."

In today's Hollywood, though, the one-man band is king – and Spielberg reigns supreme. His greatest feat to date could be the way he has shaped an age as much as that age has shaped him. His three best-known movies used fairy-tale stories to jolt popular attitudes in a new way. Before *Jaws*, there was no tradition of "eco-horror" in the cinema. The film ravaged audiences because its guerrilla-killer rhythms played on Vietnam war nerves and because it suggested that nature itself (not just the human killers concealed in it) could turn suddenly on us – *Empire Of Innocence* (part 2.)

By contrast, *Close Encounters* and *ET* both reversed a tradition that once seemed inseparable from sci-fi: the idea that "they" were hostile. Spielberg presented beings from another world who were both lovable and loving. A post-war genre that had risen in the 1950s as a barely veiled exercise in Cold War paranoia, with self-declared parables of anti-communism like *Invasion Of The Body Snatchers*, was now converted almost overnight into a vehicle for entente and imaginative friendship. Before Gorba-

Continued on Page VIII

The Long View

Locking out the insider cheats

BARRY RILEY

As the law battles vainly to cope with insider trading, the question is whether investors would do rather better to build some defences

INSIDER dealers have come in from the cold. It seems that unless they confess or make incriminating statements, British justice is more or less helpless against them. How has this come to pass, and does it matter?

It certainly matters if you believe stock markets are rational places where important decisions are taken on the basis of significant information. It matters less if they are regarded more or less as random casinos in which gamblers must be prepared to take the rough with the smooth. Still less does it matter if the market is rigged and cheating is institutionalised (although this begs the question of who exercises ultimate control).

Insider dealing is characteristically an Anglo-Saxon problem. This does not mean that it happens only in Anglo-Saxon markets, but it is only the Americans and the British who take it very seriously (although the European Commission is developing a directive on it).

For the Anglo-Saxons, insider dealing involves two crimes. One is that insiders steal from other investors who buy or sell at the wrong price. The other is that, by implication, the functioning of the market is impaired because economic decisions are made on the basis of wrong information.

Some argue that insiders can actually help in this respect, by signalling correct information which would not otherwise be available. But if manipulation gets too prevalent, honest and prudent investors will steer well clear of the stock market and all its associated evil-doing. Because the market plays an important role in financing industry, that aversion could have serious economic consequences.

Unfortunately, the American and British stock markets have developed in ways that play into the hands of insider traders. Theyhave become both liquid and volatile, and market authorities are anxious to ensure continuous operation with a minimum of trading halts. To an increasing extent, they co-exist with "derivative" markets in options and futures which enable investors to raise the risks and returns compared with the already volatile underlying market. Cheating can, therefore, become even more profitable.

Meanwhile, major corporate decisions are made increasingly through take-over bids and deals which usually result in sharp changes in price levels. Ethical attitudes do not face such regular tests in, say, Germany where the stock market is rarely entrusted with such important decisions.

If the detectives and the enforcement agencies cannot crack the insider dealing problem, there remains the disturbing possibility that investors themselves will have to make sacrifices.The operation of the markets will have to be modified so as to reduce the scope for corruption.

The role of takeover bids will for instance, have to be downplayed – not an easy matter because they have become a tremendously important element in the exercise of institutional ownership of industry in the UK and the US. Also, investors may have to be prepared to endure suspensions of dealings for protracted periods – for example, during the several months of anti-monopoly investigations or take-over negotiations.

There is a logical puzzle at the heart of the Anglo-Saxon approach to insider trading. In an efficient market, only access to privileged information can enable an investor to out-perform. Therefore, investors are searching for inside information which is legal rather than illegal only on the basis of fine definitions about who is or is not an insider.

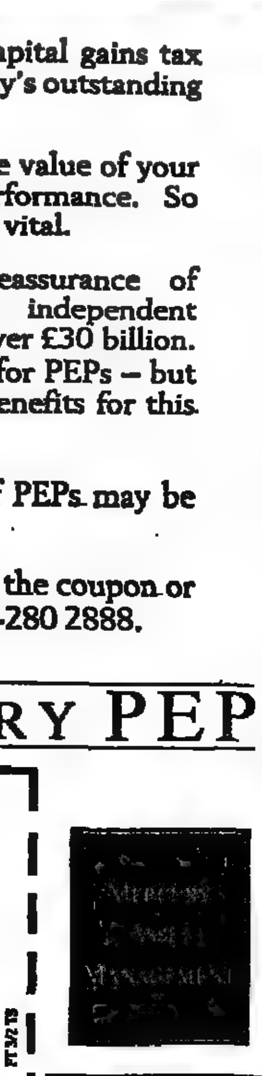
This has proved a difficult area to criminalise. Perhaps the law could be re-drafted, or perhaps there should be more emphasis on civil action, as in the US. But American successes with insider prosecution (and there have been many failures, too) have relied upon characteristically American enforcement agencies, and on legal procedures such as plea bargaining. There is no tradition of this kind of prosecution in Britain, where it might be more fruitful to rely on public exposure of breaches of business ethics, and exclusion from the "club."

Is there a quite different solution, though? After all,the world's biggest stock market, in Japan, operates on contrasting criteria (albeit also suspect). Here, insider trading tends to be institutionalised. Stocks are ramped ahead of new issues. Clients thought deserving of special help are directed into "ambulance" stocks.

Occasionally, examples emerge of excessive manipulation – last November, Daiwa, one of the Big Four securities houses, admitted it might have been "over-zealous" in shuffling shares through subsidiaries at artificial prices. But the massaging of the market in order to permit the privatisation of NTT at an outrageous price, or to enable the banking system to be re-capitalised at a low cost, is considered not only to be unobjectionable but also in the national interest. The problem of reconciling the winners and losers is solved by ensuring that all this is done in the context of an upward trend in prices which enables everybody to make a handsome (although not equal) profit in due course.

It is the presence of the Japanese alternative that makes it necessary to ask questions about the Anglo-American insider trading assumptions. There is *prima facie* evidence that, in some ways, the managed markets of Japan work better than the free-wheeling markets of the US, and American trade negotiators are furious about it. But the answer cannot really be to be emulate Tokyo. Japanese practices cannot in this area, or in most others, be transplanted outside Japanese society. In any case, the Japanese will have to come to terms eventually with the over-inflation of their asset values.

The more general lesson is that investors will have to help in finding a way of making life harder for insider traders. PC Plod can help in preventing burglary but the householder must make the first move by bolting his door, even if that is inconvenient. Stock markets might think about fitting a few locks, too.



CONTENTS

MARKETS

FINANCE & THE FAMILY: THIS WEEK

Future of CGT fuels Budget speculation

THE BUDGET will be brought down by the Chancellor on March 20 and speculation on what it will contain has started already. Informed opinion is that this year's Budget is unlikely to contain any major reforms, or any changes in income tax rates. But perhaps the biggest question mark hangs over capital gains tax. **John Edwards** examines the options on **Page III.**

Old options for new

THE STOCK market – as measured by the FT-SE 100 index – touched a new peak early in January but many share prices remain in the doldrums and many executives with share options have had a miserable start to 1990. But a company can offer instant relief to its employees by allowing them to swap old options for new. **David Cohen** explains. **Page V.**

Labour eases pension fears

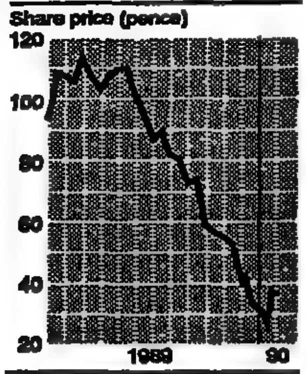
MANY EMPLOYEES using personal pensions to contract out of Serps (the State Earnings-Related Pension Scheme) have had a very good financial bargain although there has been one cloud in what has, to date, been a clear blue sky: What happens to these personal pension contracts if the Labour Party wins the next general election? Now, Labour has made its intentions known and, says **Eric Short**, there is re-assuring news for the 3m involved. **Page VI.**

Minding Your Own Business

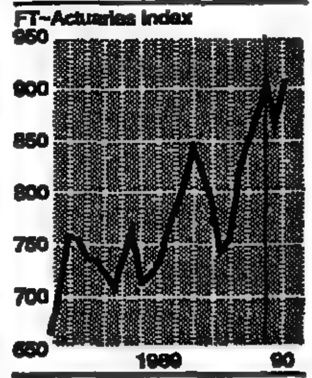
ROY HODSON *discovers an art gallery with more than a passing interest in good company and meets two Dubliners with definite designs on talent.* **Page VII**

■ **BRIEFCASE:** Workers who must pay up: **Page V**

Ferranti



Banks



Ferranti shares stage a strong recovery

IN JUST a week, Ferranti shares have staged a strong recovery from their low point of 26p, rising by more than 50 per cent at one point to 40p. This still leaves them far short of their value last year before the company was struck down by write-offs on fraudulent contracts. At the moment, though, the company is enjoying a respite from a long string of bad news, following the sale of a large slice of its defence electronics business to GEC. This means that share-holders are unlikely to be called-upon to stump-up new finance in a rights issue, while the company's recently-launched £400m damages suit against accountant Peat Marwick-McLintock holds out some hope of financial recovery from the fraud. – *Terry Dodsworth*

A bubbling week for the banks

THE APPOINTMENT of ex-Chancellor Nigel Lawson as a director of Barclays Bank coincided with its shares reaching an all-time peak. But it was only one of a number of events that kept the banking sector on the London stock market bubbling this week. On Monday, the Bank of England published a revised framework of bank provisions against Third World debt, increasing its requirement from 30 to 50 per cent. The Royal Bank of Scotland was depressed briefly by reports detailing its exposure to highly-leveraged transactions (HLTs) but said later it needed no extensive new provisions against its exposure. Bid speculation in the Royal Bank flared up again yesterday, as it did with Standard Chartered earlier in the week. Meanwhile, Hongkong & Shanghai Banking was reported as being interested in buying Lloyds Bank of Canada, while TSB denied it planned to sell Target, its life and unit trusts subsidiary. This month sees the start of the big four banks' preliminary reporting season. National Westminster is first on February 20 followed by Midland (22), Lloyds (23) and Barclays on March 1. – *Stephen Thompson.*

Dominion agrees a buy-out

DOMINION INVESTMENT Management, the financial services subsidiary of the troubled Dominion International Group, confirmed this week that it had agreed a management buy-out in principle. John Wilson, the managing director, said it would soon be in a position to announce a new partnership with a major investment institution. He stressed that Dominion Investment Management was not in the hands of the administrator appointed for the Dominion International Group and there were no cross-guarantees of any kind. – *John Edwards.*

Housing market stirs

PROSPECTS FOR the housing market in 1990 are considerably brighter than last year, according to the Woolwich Building Society. Its latest House Price Guide indicates that, over the past six months, property prices in some places in the south of England have moved back to 1987 levels while there are signs of modest rises in the north. The society said buying demand had picked up and forecast that interest rates would begin to fall by the summer, with mortgages 1.5 to 2 per cent lower by the end of the year. – *J. E.*

LONDON

Less confidence than simple speculation

BARCLAYS' confidence in appointing former Chancellor Nigel Lawson to its board was not reflected in the City's attitude to equities. It was not that shares fell much, or rose sharply: it was that the legendary Lawsonian determination and single-mindedness were conspicuous by their absence among investors.

The modest advance in the FT-SE 100 index on the week was more a reflection of speculative buying in the oil and insurance sectors than a re-awakening of confidence. Even the rise in Barclays' shares themselves on the day of The Appointment was blamed on humdrum dividend buying ahead of the group's results on March 1.

It did not help that Wall Street and Tokyo sent conflicting signals. For most of the week, markets in both centres *moved in opposite directions* and still managed to end up not far from their starting positions.

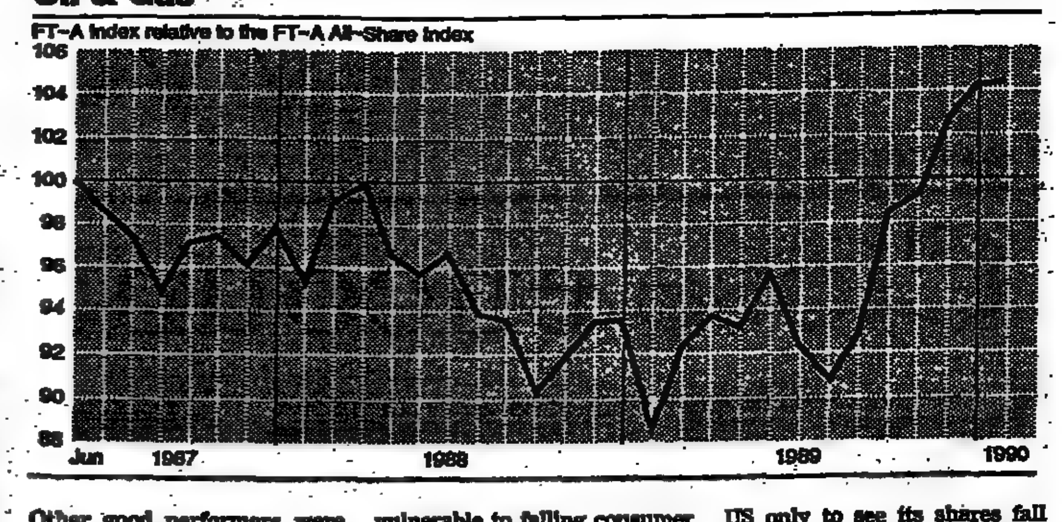
Anyone who sought broad influences on sentiment had to look to domestic matters. One likely-looking candidate was the CBI quarterly industrial trends survey. It said that confidence was at its lowest since 1980 and that Britain was on the edge of a recession. The market was not surprised, and there was a token dip in Footsie before shares resumed their unhurried and aimless performance.

Much of the small rise on the week was the work of investors in oil stocks. The sector is at an all-time high relative to the market, and analysts have been making increasingly positive noises on the prospects for exploration and production.

Lawson's new employer – or, at least, its securities arm, BZW – led the way with a *100-page glossy report forecasting* that a barrel of crude would be $28 in 1995. The price yesterday was $20.68. Shell and BP shares did well, while LASMO was given an extra boost by news of drilling success.

Continued vague bid talk also bolstered demand for oils. This week's favourite was Enterprise. The French group Elf has a 25 per cent stake and has publicised its intention to buy more shares. Speculators were not distracted by Elf's announcement that it was in talks to buy Amoco's UK refining and marketing business, and Enterprise ended 24p higher on the week at 676p.

There was no let-up in stories of a bid in the insurance sector, either. With 1992 in mind, French insurers were said to be eyeing the possibilities, although many observers were keeping a close watch on Sun Alliance which has a 14.5 *per cent stake* in Commercial Union, 13p higher at 514p.



Other good performers were General Accident and Guardian Royal Exchange.

Those who preferred firmer ground on which to assess companies had the familiar round of bearish announcements in the retail sector from which to work. Sock Shop International, which was 53 times over-subscribed on its USM flotation in 1987, warned that it expected to make a "material loss" in the year to February 28. The shares *fell* 24p to 48p, compared with the flotation price of 125p and a 257p closing level on the first day of trading.

Newsagency chain John Menzies revealed a 22.5 per cent fall in profits on Monday, which prompted some rapid re-thinking of what was expected from rival W. H. Smith on Thursday. Smith duly turned in a set of figures well below the bottom end of the range of market forecasts.

The glumness in the retail sector was relieved only by a snippet of good news from an unquoted company. Furniture *retailer MFI said it did not* need another cash injection. The positive reaction to such a mild announcement might have puzzled the casual onlooker, but MFI's rivals in the housewares' sector have – via a string of profit warnings in recent months – shown themselves to be particularly vulnerable to falling consumer spending. MFI is also a management buy-out, a club whose members are out of favour in the City as a result of high interest rates and the variable quality of their managements.

That poor onlooker could have been forgiven for demanding an ex-Chancellor as adviser, given other apparently perverse price movements during the week. A bid on Thursday had the unusual effect of prompting *a fall* in the target's share price. Sir Ron Brierley, the New Zealand businessman, confounded some of his followers in the City by offering actually to take over a company.

Sir Ron has stakes ranging from 3 to 33 per cent in a dozen quoted UK businesses including such famous names as Vickers, Budgens and Hogg Robinson. He generally buys and sells small portions of these stakes, and share dealers sometimes complain that he is competing with them.

On Thursday, however, he offered £55m for GPG, formerly the Guinness Peat Group. *Two-thirds of GPG's shares are* in the hands of bank creditors, who received their stakes when a debtor went into receivership. Keen to liquidate, they accepted Sir Ron's offer and GPG shares fell 2p to 21p.

The pharmaceutical company, Wellcome, made a long-awaited breakthrough in the US only to see its shares fall steeply. On Tuesday, the advisory committee to the Food and Drug Administration recommended that the company's Aids drug, Retrovir, be used with patients who have the virus but not the symptoms of the disease. If the recommendation is adopted, which is standard procedure, the number of potential users of the drug in the US will jump from fewer than 100,000 to between 1m-2m. *But the City expected* the decision and short-term holders took their profits.

The latest episode in the soap opera-like tale of Blue *Arrow stimulated interest for a* day or two. It is the story of a determined and single-minded American called Mitchell Fromstein.

In 1987, his vast Manpower employment agency was taken over by its much smaller UK rival, Blue Arrow. Since then, Blue Arrow has seen a rights issue scandal, most of its shares sold gradually to US institutions, and the replacement in a boardroom coup of *Tony Berry, its founder,* by Fromstein himself.

On Monday, Fromstein said the company was moving its headquarters back to the US and changing its name to Manpower – a poignant end to small slice of corporate history.

Daniel Green

HIGHLIGHTS OF THE WEEK

	Price y'day	Change on week	1989/90 High	1989/90 Low	
FT-SE 100 index	2355.1	+40.6	2463.7	1782.8	Steadier trend on Wall Street
ABB Kent	169	+37	175	86	178p a share bid from ABB parent
Aviva Petroleum	34	$+7\frac{1}{4}$	34	$4\frac{1}{2}$	Colombian drilling hopes
Barclays	586	+32	588	404	Prelim. figs. due March 1
British Petroleum	348	+16	348	249	Oil sector re-rating
British Telecom	310	+20	316	$242\frac{1}{2}$	US buying/3rd qtr. figs. due Feb. 8
Chemoxy Intl.	417	+154	417	223	Bid from MTM
FR Group	190	-35	261	185	Profits warning
Menzies (J.)	314	-19	430	281	22.5 per cent profits decline
Next	96	+10	163	78	Reports of Sears stake
Royal Bank Scot.	214	$+11\frac{1}{2}$	218	139	Takeover spec./LBO fears overdone
Shell Transport	487	+28	501	327	Sector re-rating
Sock Shop	46	-24	193	45	Profits warning
TGI	99	-21	178	95	Profits warning
Triton Europe	234	+69	235	142	US parent to sell 58.5% stake

WALL STREET

Equities thumb nose at bonds

AS USUAL, the bond market was 180 degrees back to front in its initial reaction to yesterday's employment figures. Fortunately, the almost universal view on Wall Street – that equities must always follow *bonds in slavish imitation* – turned out to be wrong as well.

Equity investors proved themselves once again to be a more sophisticated group than the herd of trend-followers who have transformed the US bond market into a casino.

For this reason alone, the market action yesterday was actually more encouraging even than the 45-point rebound by the Dow Jones Industrial Average on Wednesday. That was merely the expected technical rebound from an extremely over-sold condition created by three weeks of seemingly terminal decline. It was accompanied by a *similar*, if less decisive, improvement in bonds. These, too, had fallen too far, too fast.

But yesterday's stock market rally seemed more significant. It showed not only that the rebound on Wednesday had considerable momentum behind it: more importantly, it suggested that equity prices could advance without the help of bonds.

This defied such widely-followed pundits as Alan Sinai of the Boston Company, who was predicting, even as the market opened: "The stock market will probably go with the bond market. If the bond market is weak, the stock market will be weak as well."

It is too early to predict that the equity market will become uncoupled decisively from bond prices. But the mere possibility that it could occur is of the greatest importance to investors.

In fact, an uncoupling between bonds and equities is likely to prove the most important pre-condition for the bull market on Wall Street to continue, either in the short term or over the next few years.

The most fundamental reason for hoping that equities and bonds can go their separate ways is that the US economy in the 1990s probably faces a long period of creeping inflation – not the steady deflation which bond investors still expect generally and for which they certainly hope.

If this is true – and the country's political conditions, industrial structure, trade situation and demographic evolution suggest that it is – then the 1990s will be a bad (or, at best, an indifferent) decade for bond investors.

Inflationary prospects are certainly not as bad as they were late in the 1970s when inflation accelerated from 5.5 to 13.5 per cent between 1976 and 1980. But an upward drift similar to the one seen late in the 1960s and early 1970s seems very plausible in the years ahead.

Between 1968 and 1973, inflation edged up slowly from 4.5 to 6.5 per cent. The rise was by no means steady. In fact, inflation dipped temporarily after the brief recession of 1969-70.

But the underlying trend remained upwards and culminated in the oil and commodity shocks of 1973-1974. These raised inflation in the US briefly *into double digits* in 1974 and plunged the economy into a deep recession.

Without predicting any such disaster on the distant horizon, it is easy to see the similarities between the present position of the US economy and its condition 20 years ago.

In cyclical terms, the economy is enjoying an uninterrupted expansion which seems set to equal, or beat, the nine-year record established between 1960 and 1969.

As in the late 1960s, US current account deficits are the main economic imbalance which will eventually have to be corrected by movements in exchange rates and shifts in the pattern of world trade.

Politically, the pressure to deal with social problems is becoming irresistible, even if the response this time might not be to spend government money but, *rather, to avoid* even a shallow recession at all costs.

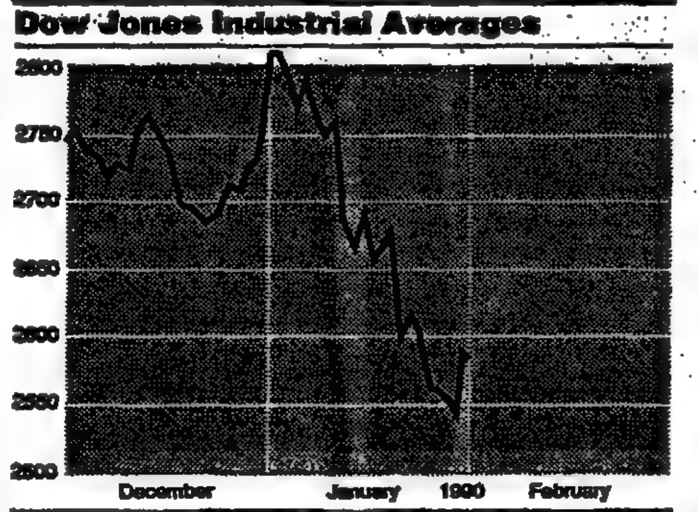
The present talking by Federal Reserve governors about their *implausible* plans to cut inflation to zero only underlines the lack of political will to do any such thing. To force inflation down through the floor of the 4 to 5 per cent range in which it has been stuck since 1983 would almost certainly require a recession and a substantial rise in unemployment. The American public simply will not tolerate this.

If this analysis of long-run conditions in the US proves accurate, *the early 1990s will* not be a happy period for long-term bond investors. But a mildly inflationary environment could actually be quite bullish for many equities.

The problem is that the type of companies that would be beneficiaries of an inflationary period – natural resources, housing and selected industrial stocks – would differ strikingly from the "deflation plays" which have been leading Wall Street upwards in the past year and a half.

And, as many analysts have pointed out, such a profound change of market leadership would almost certainly require a bigger general setback than the stock market has suffered so far. To make matters worse, there still remains the possibility of a substantial economic slow-down next year if the anti-inflationists at the Fed prevail temporarily as they did, briefly, late in 1969.

Anatole Kaletsky



Monday	[illegible]	– [illegible]
Tuesday	2543.24	– 10.14
Wednesday	[illegible]	+ [illegible]
Thursday	2586.26	– [illegible]

JUNIOR MARKETS

Pride comes before a fall

IT is now something of a truism that the more accolades heaped on a business, the more imminent its downfall. A disconcerting number of the corporate super-stars of the mid-1980s have fallen from grace, and being described as the Young Businessman of the Year is virtually courting Nemesis.

An equally mixed blessing, it seems, has been wished upon the front runners for the USM Company of the Year award, a competition run by USM Magazine and Coopers and Lybrand Deloitte. Of the companies *nominated for the* award in 1988, in only two cases – Blenheim Exhibitions Group and Ashtead Group – have shares out-performed the USM index.

Among the others, the shares of Savage Group, a hardware products distributor, has fallen by 68 per cent; D. C. Cook, the motor dealer, has registered a 69 per cent fall; Sock Shop (which this week announced it would go into *loss this year*) has dropped in value by 80 per cent; and Miller & Santhouse, the spectacle chain, reported a severe drop in profits last year and was taken over by Boots.

The performance of the 1989 candidates for the award is not much better. Over the past year, Blenheim Exhibitions Group did well (yet again) with a 28 per cent rise in its share price; and Cityvision, the video hire chain, soared above the clouds with a 145 per cent increase in value. But Misys, the computer services group, Colorvision, the television retailing chain (which this week announced a 6 per cent fall in pre-tax profits), and Heritage had a tougher time, reflected in the respective 13, 24 and 55 per cent falls in their share prices.

Meanwhile, Parkway Group, a pre-press production service company which won the award last year, truly came a cropper with a 63 per cent fall in value.

So far, so feeble. But, of course, the stock market's appraisal of a business is not the end of the story. Several of these companies have been innovative in a way that transcends temporary hitches in their fortunes.

Take, for instance, Colorvision's distinctive management philosophy. All its outlets are "management enterprises" which are part-owned and run independently by their own managing directors. Even in the present tough conditions in the high street, the company claims it has a competitive advantage. "My managers are fighting for survival. They are not just doing a job," said Neville Michaelson, the chairman, this week.

Similarly innovative management philosophies are offered by other contenders for this year's award. For example, Ashtead Group, the plant hire company, claims to be a "team effort in a class-less company." It motivates its work force – known as staff members – with an incentive scheme that depends on the profits and return on investment of each individual depot.

Another distinctive incentive scheme belongs to Southern Business Group, a *photo-copier* and vending machine contractor. Under its idiosyncratic cost-control system, a certain percentage of revenue is set aside for profit while the rest is divided between different cost centres such as service, finance, administration and distribution. These departments pay their overheads and then share whatever is left between them.

Another nomination with a management theme is Capita, a management consultancy specialising in the public sector. As such, it is well placed to benefit from the potential chaos stemming from the health service reforms, the privatisation of public services, and even the poll tax. One of its most promising areas is Telecom Capita, a joint venture with British Telecom that offers computer management services. This venture, which secured £25m of business last year, numbered among its activities the poll tax bills of 1.5m residents in 14 local authorities.

Originally, Ashtead and Capita both were management buy-outs. Perkins Foods, another potential winner, exemplifies the effect of a management buy-in.

In August 1987, Michael Davies (a former chairman of Imperial Foods) and Howard Phillips (the chief executive of Golden Wonder) bought their way into the lack-lustre meat-boning and packing company. Since then, it has bought businesses hand over fist in its quest to make the company a broadly-based north European food group ahead of 1992.

The two other candidates for this year's award are Norfolk House, a property developer which has become the third-largest independent petrol station operator in the UK, and Alan Paul, the Wirral-based hair-dressing chain.

Alan Paul is a highly-rated business which is confident about the future. (It reckons, for example, that it will continue to do well since people seek solace in a new hair-cut in hard times.) But if sporting a bright red Ferrari with a USM1 number plate at the company's flotation was a sign of hubris, the extra burden of winning the USM Company of the Year award might be enough to guarantee a fall.

Vanessa Houlder

Trusts renew war of words

THE INVESTMENT trust movement has the wind in its sails. It has just clocked-up a year in which the average trust out-performed the FT All-Share index, returning well over 33 per cent in capital growth to its share-holders. It is also seeing a steady increase in interest from private investors after years of languishing in the shade of unit trusts.

All this activity is lending new vigour to the old argument over the respective merits of investment and unit trusts – a dispute that is being given an additional twist by the review of investment trusts now going on at the Securities and Investment Board. The SIB is looking at investment trust marketing, including the possibility of a change in the rules allowing them to advertise like unit trusts. Many proponents of investment trusts contend that unit trusts have gained their leadership of the collective investment industry only because of their freedom to sell themselves.

The latest blow in this war of words was struck this week by Warburg Securities in its weighty review (literally: it runs to 630 pages) of investment trusts. Warburg has produced some heavy statistics on their behalf, demonstrating that many investors have achieved a better return than those who have chosen unit trusts. The Warburg figures show investment trusts leading in five out of seven categories of stock market investment over the past five years, including the rapidly growing Far Eastern funds sector (although unit trusts had the lead in Japan, the UK and the US).

The Unit Trust Association joined this argument a few days ago with a paper outlining its support for the status quo. Unit and investment trusts, it said, were complementary, not competitive; their performance was not strictly comparable because of differences in the way they were managed; and their cost structures [investment trusts tend to be cheaper for the public to deal in] reflected the tougher regulatory environment in which unit trusts operated.

At the heart of these arguments is the contention that investment trusts are inherently more risky for individual savers. Because investment trusts have a fixed share capital, people who buy their stock have a double opportunity for gain or loss – the price of the investment trust shares themselves, and the underlying price of the assets in which the trust is invested. Moreover, investment trusts are allowed to take stakes in more speculative areas than unit trusts.

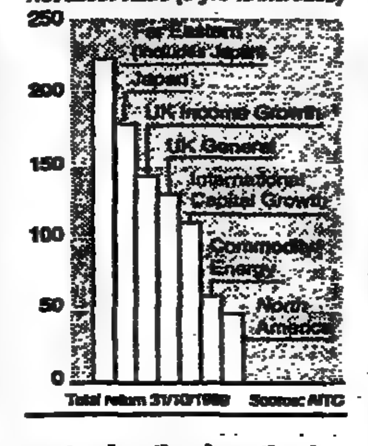
It is hard to resist the UTA's contention that these activities are in many ways complementary to those of the unit trust movement. Individual savers attracted to the stock market may want investments which are less bland than a building society deposit, but they may not be willing to grapple with the peculiarities of investment trusts when they have the simpler option of buying into a unit trust. Indeed, the Warburg report makes the point that investment trusts were "originally created for the wealthier private investor, not the ordinary man in the street."

This suggestion is underscored implicitly by one of the features of investment trusts which particularly attracts the authors of the report: the complex new devices developed to respond to highly specific investment demands. Many of these instruments – such as zero coupon preference shares, or the income and capital shares in split capital funds – demand a fair amount of specialist knowledge. Often designed for people who have unusual requirements from their investments, they are not for novices.

In emphasising the complementary aspects of the investment and unit trust movements, however, the UTA seems to be pointing to areas where they have a common interest. Underlying this is the implication that there is no reason why the two movements should not come closer together so long as they do not pretend to meet the same demands. This point is all the easier to make since they are facing several common opportunities and challenges.

One is the need to support the case of collective investment vehicles after a period in which Government privatisations have whetted the public appetite for equities without taking it very much further. Another is the question of personal equity plans. Both organisations are anxious to become fully-accredited vehicles for PEP investments, doing away with the restriction under which only half the £4,800 allowance can be invested in them. Both of them ought to benefit, as well, from the introduction of independent taxation for married women, a development which will make dividend income, on which tax can be reclaimed, attractive to many savers; and they might benefit from supporting each other in regulatory battles in Europe.

Terry Dodsworth



FINANCE & THE FAMILY

Action strategy for the Budget

SIMON PARR

THE ANNOUNCEMENT of the Budget date (March 20) each year marks the time when you should start considering what you should do either before the Budget, or before the end of the fiscal year on April 5.

Weekend FT will be running a series of articles in the weeks before March 20, pinpointing the main areas where action is needed.

We will be concentrating on two main aspects. One is action that may be taken to anticipate possible changes in the Budget. The other is the normal annual steps that should be taken before April 5, but which might be brought forward to before the Budget, just in case.

Speculation on what the Budget will contain has already started. The accountancy group, KMPG Peat Marwick McLintock, for example, this week published a special booklet previewing what it thinks may be included.

This year's Budget is unlikely to contain any major reforms, if only because the new Chancellor would not have had the time to evaluate any basic change in strategy. It is also generally agreed very unlikely that there will be any changes in income tax rates this year. Indeed, it is being suggested that the Chancellor may increase the tax bill in real terms, by not adjusting the personal allowance and other tax free exemptions fully in line with inflation during the past year.

Perhaps the biggest question mark of all hangs over capital gains tax. The annual exemption from CGT was lowered in the 1988 Budget from £6,600 to £5,000 to reflect, according to the Chancellor, the general reduction in tax rates at the time. In fact for many investors the introduction of two rates of CGT, bringing it into line with income tax rates, meant an increase.

The introduction of independent taxation for married couples with effect from April 6 has stimulated speculation that there will either be a change in capital gains tax rates, or its replacement or even abolition. The problem is that if the Chancellor does nothing then married couples will together have an annual exemption of £10,000. That may prove an unacceptably high level since it would reduce the low level of revenue from capital gains tax even further.

One solution would be for the Chancellor to halve the rate to £2,500, retaining the £5,000 exemption for married couples, while making the rest of the population pay more. Or he could restrict the present free transfer of assets between couples on the grounds that if they are individually taxed there is no reason why they should receive additional favourable treatment.

As a sop, the Chancellor could then make personal equity plans (Peps), which give freedom from capital gains tax, more attractive. This would also serve a double purpose, as a stimulant to savings and wider share ownership, although some people think more far-reaching moves would be needed to improve the savings ratio.

For the first time for several years, there is speculation that the Chancellor might raise the "ceiling" for mortgage interest relief from its present unrealistic level of £30,000. Although that seems unlikely bearing in mind the economic situation,

John Edwards gives pre-Budget advice, the first of a series

some change might be made to help first-time buyers exclusively and possibly confine the relief to standard rate tax only.

Other possibilities are radical changes in the way that holders of life policies are taxed, including the introduction of an "exit" charge on 10-year qualifying policies where gains are currently tax-free, and the loss of "tax-free" withdrawal facilities from investment bonds. Measures might also be taken to stem the flow of money to offshore bank accounts, paying gross interest, as a result of the introduction of independent taxation.

Last year's Budget included a proposal to scrap instruments (or deeds) of variation which allow the terms of Wills to be adjusted by beneficiaries in the distribution of an estate. The plan was dropped, but the government said it would keep the matter under review and it might be revived this year.

Action against overseas trusts was widely expected last year, but failed to materialise. But it is anticipated that attempts may be made to close this tax loophole this year.

Forecasting what is going to be in the Budget is notoriously dangerous; the Chancellor normally has some nasty surprises up his sleeve. But if you are a cautious, or pessimistic person you should obviously take the possibilities into account.

Most important, perhaps, is independent taxation. There is very little reason for delaying any planning until after the Budget, in spite of the doubts about the capital gains tax exemption level. Indeed, there is a good reason for taking action immediately, since by judicious planning you can "roll over" interest earned now into the next fiscal year when it will be taxed at a more favourable rate.

Putting your Will in order, in case a new ban on Instruments of Variation is introduced, might make sense too, as might hurrying up the establishment of an overseas trust. More problematical is whether you should succumb to the pressure from life company salesmen and brokers to buy qualifying 10-year policies and investment bonds now.

But even if there is a totally neutral Budget, with no important changes, you should consider the following checklist of actions to be taken before April 5, according to Steven Berry, assistant technical director of Hill Martin, the Bristol based financial group:

■ Capital gains tax. The annual exemption, currently £5,000, has been to used each fiscal year and cannot be carried forward. You should either take profits on shares you no longer wish to hold before April 5 or, you can use the exemption by "bed and breakfasting" (selling in the afternoon and buying back the following morning) to establish a higher buying price for shares you wish to retain. You also have to take into account whether your status as a 25 or 40 per cent taxpayer will change during the next year.

■ Inheritance tax. The annual exemptions available can only be carried forward subject to the current fiscal year's exemption having been used first. After April 5 this year, the 1988/89 exemption will no longer be available.

■ Wife's earnings election. This will disappear when independent taxation comes in. But meanwhile this year husbands and wives should decide before April 5 whether they want their earnings to be taxed separately for the year 1988/89.

■ Company cars. The scale charge for company cars goes up when the business mileage is below 2,500 miles for the year, and is halved when it exceeds 18,000 miles. So it might be worth bringing forward a business trip to before April 5.

■ Pensions. Payments to personal pensions and retirement annuities can be carried back over a period of six years. By making a payment before April 5 you can go back for an extra year longer to 1982/83 than if you delay until after April 5. Employees planning to contract-out of the State Earnings Related Pension Scheme (Serps) should act before April 5 to gain an extra year.

Business Expansion Schemes, Peps, overseas trusts, independent taxation and capital gains tax indexation will all be the subject of special articles in the series to be run during the next few weeks.

Alternative savings

AN EXODUS of funds from banks and building societies is expected as couples seek to take advantage of the tax concessions available to non-working spouses.

Many people are now realising that interest paid on deposits in building society and bank accounts are subject to the automatic deduction of tax (currently 21.75 per cent but rising to 22 per cent in April), which cannot be reclaimed even if you are a non-taxpayer.

This means that building society and bank accounts are not much use if you are seeking to take advantage of the tax-free personal allowance that will become available to non-working or low-earning spouses under the independent taxation regime. Any interest will still have non-reclaimable tax deducted at source.

So the hunt has been on for investments that either pay interest gross, with tax being deducted, or those deducting interest that can be reclaimed by the non-taxpayer.

There are a few alternatives. There are several National Savings products which pay interest gross, which is why National Savings have recently launched special promotional campaigns for their Income and Capital bonds. But these carry some kind of restrictions, on the length of time the investment has to be held or the amount that can be invested, and the interest rates offered are not very competitive at present.

Gilts (government securities) can provide tax-free returns, but you face the danger of a loss of capital if the gilt market moves lower.

There are some other special exceptions. Interest on deposits of over £50,000 in a building society or bank can be paid gross, but only under special circumstances. They have to be what is known as a qualifying time deposit. That means a precise sum of money has to be deposited for a specified period of time, of not less than seven days. During that period it cannot be altered in any way by withdrawal or additions. The interest, cannot be re-invested.

At the other end of the scale, registered industrial and provident societies, including some retail co-operatives, can pay interest gross. However you have to be a member of the society and there are normally other restrictions on the amount that can be deposited and the period of withdrawal.

Offshore bank accounts pay interest gross to UK residents, but the interest paid has to be declared on your annual tax statement even if the interest is re-invested. Many people,

John Edwards on investments to keep the tax man at bay

with Barlow Clowes fresh in their minds, are nervous too about putting their life savings in overseas countries where there is a different legal system and not the same kind of safety for UK residents if things go wrong.

So where do non-taxpayers go? One answer is into the new breed of "money funds"; authorised UK unit trusts that invest in money market securities like treasury bills, certificates of deposit, and gilts with a short maturity date. Although standard rate tax of 25 per cent is deducted at source, it can be reclaimed by non-taxpayers by use of a tax credit. It may also be possible to build up a capital gains tax loss, for offsetting against profits, over a period of years. The capital value of the fund is likely to remain static, or even fall slightly. But when you sell your units, indexation relief can be claimed to allow for inflation during the period between the purchase and sale.

There are already various different funds of this kind, but this week Scottish Amicable entered the fray with the launch of its Maximum Income Fund. The group claims that by investing mainly in floating rate notes, and a mixture of treasury bills and short-dated gilts, it can provide a better yield than bank or building society accounts, even after allowing for charges. Its estimated gross interest yield, after management charges, will initially be 14.6 per cent, and possibly higher, which is equivalent to 11 per cent net after deduction of basic rate tax. The tax can be reclaimed.

Withdrawals can be made at any time, with no penalties, but there is a 2.6 per cent difference between the buying and selling price (the bid-offer spread). This incorporates an initial charge of 2.5 per cent. Annual management fee is 0.5 per cent. Minimum investment is £5,000.

Scottish Amicable says the trust is aimed at the cautious building society investor, particularly joint holders of deposit accounts and high rate taxpayers seeking to transfer assets and income to their spouses.

Equity & Law also announced this week the Total Income Fund, a high-income fund based in the Isle of Man. Estimated initial yield is 13.5 per cent a year (compound annual rate) based on the offer price and after payment of the annual management charge of 0.75 per cent. There is, however, an initial charge of 5 per cent incorporated into the bid-offer spread. If you invest before March 9, an extra 1 per cent will be added to the first year's dividend.

Minimum investment is £1,000. Customers will be issued with an account book to enable them to withdraw or add to the holding at any time, with the proviso that a minimum balance of £1,000 is maintained.

IN BRIEF

A FIXED interest time deposit that pays gross interest to investors has been launched by the Norwich and Peterborough Building Society. There is a choice of terms: three months or six months paying 14.25 per cent gross, and one year, paying 14 per cent. Interest is paid only at the end of the term and no withdrawals are allowed. Minimum investment is a hefty £50,000. The Society said the new time deposit was its response to the forthcoming new independent taxation for married couples. It would also appeal to expatriates, corporate investors and charities.

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ABBEY NATIONAL's special remortgage offer, which allows borrowers with mortgages of over £20,000 a refund of £200 if they switch from another lender, will be withdrawn on February 9. Abbey says it is popular, especially with borrowers requiring loans of over £60,000 who pay interest at 13.90 per cent compared with the standard rate of 14.5 per cent.

■ ■ ■

AN INVESTMENT trust personal equity plan (PEP) was launched this week by Kleinwort Benson Investment Trust. Investors will be able to put up to £2,400 into The Merchants Trust and/or the Kleinwort Smaller Companies Trust. A further £2,400 can be put into a Managed Share Portfolio of six shares. There is an initial charge of 3.5 per cent on the investment trust part (2.5 per cent for existing shareholders in the trusts) and 5 per cent on the Managed Share Portfolio and an annual management charge of 1 per cent, plus dealing costs of 0.5 per cent.

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FINANCE & THE FAMILY

The Week Ahead

Telecom set to ring up £680m

But wage and interest costs are likely to offset volume growth

BRITISH Telecom is expected on Thursday to report pre-tax profits of about £680m for its third quarter to the end of December 1989, up from £623m in the comparable period of the previous year.

About £50m of the increase will be attributable to the company's pension holiday. Continuing volume growth of 10 per cent a year, and increased prices, are expected to be offset by higher wage costs and interest payments relating to BT's purchase of a minority stake in McCaw, the US cellular group.

Laurence Heyworth, of Robert Fleming, is forecasting £675m. Warburgs Mark Loveland is going for £680m, which he describes as "good, orderly progress."

☐ BOC Group, the industrial gases and health-care company, is expected to show growth in turnover of about 12 per cent on Thursday when it reports on the first three months to the end of December.

Although the industrial gases side is slowing in both the US and UK, there is no sign of prices softening as yet. In any case, 40 per cent of the industrial gases are sold in Australia and the Far East, where growth remains strong.

Interest will centre on health care, where integration benefits should be coming through from the combined Viggo-Spectramed intravenous medication business. Analysts are looking for pre-tax profits of £83m and earnings per share of 11.8p.

☐ Speculation about the intentions of Tito Tettamanti, the Swiss financier with 8.7 per cent of the shares, and of Elektrowatt, the Swiss energy and electronics company with nearly 30 per cent, continues to over-shadow interest in the trading performance of Unitech, the manufacturer of electronics components which reports its interim results on Tuesday.

These figures will hardly be comparable with those of the previous year because of the big acquisition of Veeco Instruments, the US power supply manufacturer bought for $327m in November 1988. Lifted by the inclusion of Veeco for a full six months instead of two, Unitech's pre-tax profits should reach about £12.3m against £7.8m last time.

☐ Union Discount, the London discount house and financial services group, reports its annual results on Wednesday. The market will be watching to see how far the group managed to recover in 1989 from a very poor performance the previous year.

Profits then were £3.46m, far below the £11m of 1987, but Union Discount said last July that year-end profits would be well above those of 1988. It does not publish interim figures.

Although discount house operations may have been hit by continuing high interest rates, Union now has a broader profit base with subsidiaries in the futures markets and stockbroking, which are thought to have done well.

PRELIMINARY RESULTS

Company	Year to	Pre-tax profit (£000)		Earnings* per share (p)		Dividends* per share (p)	
Allied Textile	Sept	13,290	(11,860)	34.0	(31.6)	11.5	(10.6)
Blue Arrow	Oct	65,110	(75,080)	5.5	(6.8)	-	-
Bullough	Oct	28,750	(26,330)	15.9	(14.9)	6.05	(5.67)
Central Motor	Oct	1,620	(1,197)	10.2	(9.08)	3.25	(2.75)
Colorvision	Sept	3,390	(3,620)	10.7	(11.6)	4.9	(4.34)
Dewey Warren	Dec	11,105	(4,085)	17.1	(4.8)	3.0	-
Domino Printing	Oct	4,711	(5,118)	17.2	(18.0)	4.0	(3.6)
Drayton F. East.	Dec†	703	(697)	2.67	(3.12)	2.3	(2.1)
Duncan Lawrie	Dec	1,040	(907)	-	-	-	-
Fit Fyffes	Dec†	25,020	(19,070)	6.21	(5.13)	0.943	(1.28)
French Thomas	Sept	2,040	(1,490)	11.5	(8.42)	3.625	(3.02)
Gardiner Group	Oct	2,910	(1,890)	4.0	(2.84)	0.9	(0.75)
Heavitree Brew.	Oct	1,190	(1,140)	47	(45.1)	15.25	(14)
Hey & Croft	Oct	1,01	(2,410)	5.4	(12.5)	2.81	(2.81)
Lowe Robert H.	Oct	1,008	(1,601)	6.67	(19.3)	1.5	(3.5)
Microgen Hldgs.	Oct	7,200	(10,039)	11.1	(17.0)	6.7	(6.5)
Moorfield Ests.	Oct	1,910	(1,330)	14.5	(11.4)	8.75	(1.57)
Partridge Arts	Oct	3,200	(2,835)	11.3	(8.54)	0.75	-
RCO Holdings	Sept	2,890	(2,010)	17.2	(12.1)	6.1	(6.0)
Taco	Sept	3,165	(3,619)	10.5	(17.0)	11.0	(11.0)
Throgmorton Tst.	Nov‡	11,597	(10,555)	3.19	(2.86)	3.18	(2.85)
Tranwood	Dec	5,970	(4,230)	4.54	(3.19)	2.25	(1.5)
Westminster Sci.	Oct	1,470	(877)	9.4	(7.3)	3.0	(2.5)
Whitegate Leis.	Dec	662	(68)	0.58	(0.02)	0.25	-
Wilding Off. Eqp	Sept	509	(2,880)	2.3	(15)	4.2	(4.0)
Yelverton Inv.	Oct	401	(71)	2.4	(0.5)	1.0	(0.5)

INTERIM STATEMENTS

Company	Half-year to	Pre-tax profit (£000)		Interim dividends* per share (p)	
Aerospace Enginrg.	Oct	1,100	(1,329)	1.56	(1.41)
AIM Group	Oct	1,300	(2,080)	2.4	(2.4)
Amalgamated Investmt.	Sept	108	(429)	-	-
Applied Holographics	Sept	1,400 L	(997 L)	-	-
Brandon Hire	Oct	578	(503)	1.11	-
Bristol Channel Shp.	Oct	15 L	(30 L)	-	-
BTS	Sept	173	(81)	-	-
Cassidy Brothers	Oct	25	(585)	-	-
Churchbury Estates	Sept	3,800	(2,670)	-	-
Courtyard Leisure	Sept	10	(94)	-	-
Cray Electronics	Oct	1,360 L	(6,067)	-	(1.95)
Davies DY	Oct	693	(504)	1.8	(1.5)
Dudley Jenkins	Oct	321	(241)	1.2	(1.0)
Dyson J & J	Sept	1,220	(873)	2.0	(2.0)
Ford Sellar Morris	Oct	12,020	(6,837)	2.5	(3.5)
Goodhead Group	Nov	2,750	(2,700)	1.75	(1.75)
Harvey & Thompson	Dec	1,197	(1,008)	5.0	(4.0)
Haynes Publishing	Nov	1,580	(1,530)	4.5	(4.0)
Hidong Estate	Sept☆	49,732	(407,025)	-	-
Jacques Vert	Oct	2,373	(2,062)	4.0	-
Kelt Energy	Sept	1,050 L	(467)	-	-
Kromagraphic	Sept	189 L	(99)	-	-
Lister & Co	Sept	499 L	(652)	1.0	(1.0)
Menzies John	Oct	3,100	(4,000)	3.25	(3.0)
MFI Group	Nov	8,000 L	(24,800)	-	-
Oceana Consolidated	Sept	62	(214 L)	-	-
Optical & Medical	Sept	3,360	(3,189)	1.75	(1.65)
Park Food Group	Sept	3,730 L	(2,890) L	1.95	(1.95)
Platignum	Sept	209	(129 L)	-	-
Prism Leisure	Sept	228	(318)	1.5	(1.5)
Ransom William & Son	Sept	320	(307)	0.62	(0.6)
Real Time Control	Sept	295 L	(62)	-	-
Rush & Tompkins	Sept	3,560	(3,320)	4.0	(4.0)
Sanderson Murray El.	Dec	149 L	(36)	-	-
Scottish National	Dec◆	3,180	(3,120)	1.7	(1.4)
Shelton Martin Group	Sept	80	(67)	0.75	(0.6)
Southwest Resources	Sept	164 L	(389 L)	-	-
Sportsfield Equipmt.	Sept†	23	(30)	-	-
Smith WH	Dec	35,100	(41,800)	4.0	(3.6)
Stonehill Holdings	Sept	904 L	(396 L)	-	-
Tavern Leisure	Sept	199 L	-	-	-
Toothill RW	Sept	381 L	(39)	-	(3.6)
TR Trustees Corp.	Nov	5,550	(4,266)	1.5	(1.2)
UPL Group	July	330 L	(158)	-	(1.0)
West Industries	Sept	80	(183)	-	(0.25)
Wintrust	Sept	2,680	(2,340)	2.5	(2.5)
Worthington AJ	Sept	217	(99)	-	-

(Figures in parentheses are for the corresponding period.)
*Dividends are shown net pence per share, except where otherwise indicated. L = loss.☆ Malaysian dollars.‡ Net income from ordinary activities before taxation.◆ First quarter figures/Net revenue for first quarter.† Irish punts & pence.‡ Net revenue.

RIGHTS ISSUES

BTS is to raise £2.5m via a two-for-three rights issue at 47p per share.
Ross Group is to raise £8.5m via a thirteen-for-twenty rights issue at 127p per share.
Microlec Group is to raise £3.13m via a one-for-four rights issue at 130p per share.

OFFERS FOR SALE, PLACINGS AND INTRODUCTIONS

Tranwood plans to move up from the USM to the main market.
Northern Platinum plans to have its shares listed on the London Stock Exchange.

RESULTS DUE

Company	Announcement due	Dividend (p)* Last year Int.	Last year Final	This year Int.
FINAL DIVIDENDS				
Aaronson Bros.	Tuesday	1.8	3.65	1.8
Beckenham Group	Monday	1.0	1.5	1.5
Berkeley Govett & Co.	Monday‡	6.0	6.0	6.0
Copenhagen Handelsbank	Thursday	-	15.0	-
Ericsson L.M.	Thursday◆	-	10.5	-
European Assets Trust NV	Friday◆	0.04	0.08	0.04
Fleming Claverhouse Inv. Tst.	Monday	1.7	7.25	2.5
Hunterprint Group	Wednesday	3.0	7.0	3.0
Manchester Ship Canal Co.	Friday	-	-	-
St. Modwen Properties	Wednesday	-	0.8	-
Securicor Group	Tuesday	0.4	0.895	0.44
Securiguard Group	Tuesday	2.2	4.3	2.6
Security Services	Tuesday	0.835	1.86	0.922
Throgmorton Dual Trust	Thursday	2.0	6.5	2.25
Union Discount Co.	Wednesday	11.5	26.0	11.5
UTC Group	Monday	4.0	6.0	4.5
INTERIM DIVIDENDS				
Abingworth	Friday	-	1.5	-
Automagic Holdings	Friday	2.25	4.25	-
Birse Group	Thursday	-	-	-
British Telecommunications	Thursday†	4.25	6.25	-
Budgens	Thursday	3.0	2.67	-
Elbief	Thursday	0.585	1.34	-
Hambro Currency Fund	Tuesday	-	-	-
Helton Holdings	Tuesday◆	0.5	1.1	-
Honeysuckle Group	Friday	2.0	3.5	-
Micklegate Group	Tuesday	-	-	-
Pacific Dunlop	Friday♥	7.5	9.5	-
Sock Shop International	Friday	1.0	1.0	-
Unitech	Tuesday	3.675	6.825	-
YRM	Thursday	1.25	2.55	-

*Dividends are shown net pence per share and are adjusted for any intervening scrip issue.♥ Australian cents per share.‡ US cents per share gross.◆ Swedish krona per share gross.◆ Danish kroner per share gross.† 3rd quarter figures.◆ Irish pence per share.◆ Dutch florin per share gross.

Eric Short examines the latest proposals for regulation

SIB squeezes broker funds

THE FUTURE of "closed" broker funds, where you invest with one particular life company or unit trust group via a financial adviser, looks bleak under the new regime envisaged by the Securities and Investments Board (SIB). However, "open" broker funds, which invest in the best available funds in the market chosen by the adviser, appear to have been given the go-ahead subject to very strict operating rules.

This is the conclusion to be drawn from the publication this week of the SIB's latest thinking on the regulatory system for broker funds.

More than six months ago, the SIB published a consultative document on the marketing regime for broker funds which, if implemented, virtually would have banned such products. But the resulting outcry made the SIB think again.

Underlying the SIB's thinking is that an independent adviser's recommendations must be consistent with his duty to act impartially and in his client's best interests, taking into account suitability and best-advice rules. The SIB feels these requirements are less likely to be met by closed, or partially-closed, broker funds.

No doubt those life companies with substantial closed broker funds on their books will argue otherwise and will let their views be be known to the SIB when the consultative document appears.

In its policy statement, the SIB breaks down its views on the regulation of broker funds into the following areas:

■ Competence. Regulators will require information on the expertise, resources and information facilities of broker fund managers to ensure they can act with the necessary skill.

■ Where management is subcontracted to another fund manager, who presumably will also have to be authorised, the relationship must be made clear to the client.

■ Information at the point of sale. The investment objectives and strategy to be followed to achieve those aims must be made clear.

■ Charges for broker fund services, unless paid direct by the investor, must be spelt out in full, including a statement of any fees received by the adviser from the underlying funds and/or life company or management group.

Previous attempts by the SIB to force disclosure of commission charges have failed because of the variety of methods used to reward broker bond managers.

■ Above all, independent advisers must indicate possible conflicts of interest and what they are doing to ensure the client's interests are put first.

At first glance, it appears that the proposed system will work in protecting the investor without inhibiting the development of "open" broker funds – but that depends on what changes are made in the the consultative document.

☐ *Broker Funds and Broker Unit Trusts: A Policy Statement, available from the Securities and Investments Board, 3 Royal Exchange Buildings, London EC3V 3NL. Price £5.*

Banks must tell

LABOUR peers have put the cat among the pigeons. On Thursday, Lord Mishcon forced through an amendment to the Courts and Legal Services Bill which will require banks and building societies to give clients details of any commissions received for negotiating endowment policies linked to mortgages. Mishcon pointed out that not only were solicitors required to declare any commission received but they must rebate it to the client.

The Securities and Investments Board (SIB) wrestled with the problem of commission disclosure for years before arriving at the rules which started this year. Under them, clients buying life assurance and unit trust contracts from an independent financial adviser are told by the life company or unit trust group concerned about the amount of commission paid to the adviser as a percentage of the premiums. The client also has the right to ask for the adviser to disclose, in money terms, the amount of commission received on a sale. But if the salesman is an appointed representative of one life company, there is no obligation to disclose any such information.

Most banks and building societies are now appointed representatives, with no requirement to disclose remuneration. If this amendment is not overturned when the Bill returns to the Commons, then, as primary legislation, it would over-ride the SIB's rulebook.

The banks and building societies can be expected to lobby for this amendment to be overturned. They will almost certainly be joined by the SIB.

E. S.

COMPANY NEWS SUMMARY

TAKE-OVER BIDS AND MERGERS

Company bid for	Value of bid per share**	Market price**	Price before bid	Value of bid £ms**	Bidder
	Prices in pence unless otherwise indicated				
ABS Kent Hldgs.	178*§	169	153	135.27	ABS Investments
Alexander (W.)	113*	111	112	32.02	Spotlaunch
Britannia Sec.	137§	134	109	107.48	ADT
Builder Grp.‡	340*	335	335	56.10	CEP Comms.
Carron Phoenix‡	90*§	90	79	10.25	Franke Hldg. AG
Chemoxy Intl.	392	400	288	11.59	MTM
Colonnade Dev.	163*§	169	161	8.24	Pixoflow
Desoutter Bros.	700*	688	635	89.5	Atlas Copco
GPG	17*	20	23	55.0	IEP
Harbwell	136*§	144	120	107.5	Oakhill
Do. 7.875pc Pf	124.7*§	127	104	43.66	Oakhill
Hyman	30*§	28½	26½	15.84	ER Carpenter
Intl. City Hldgs	29	25	34	22.43	York Trust
Jitra Rubber	58.7	54	50	6.52	Kown Empo Inv.
KLP Group	238*	235	180	23.60	RSCG
Do. Conv. Pref.	87*	85	67	8.44	RSCG
Mackay (Hugh)	129§	122	132	7.71	Allied Textile
Mainmet Hldgs.	10*§	60	60	0.63	ISS
Mysore‡	240*§	238	224	197.50	Blue Circle
Nat. Telecom	60*	59	49	20.39	Alcatel
Norfolk Cap.	41.2§	43	36¼	170.41	Queens Moat
Sage Group	300*§	295	294	54.24	De Haan
Saltire Ins Invs	78.75§§	78	60	11.81	ESN
Sanderson Murray	175*	203	150	3.325	Rickett Mitchell
Tavern Leisure	36	35	36	9.16	Millwall Hldgs.
TDS Circuits	10*	20	20	0.90	Teknecomp
UK Paper‡	375*	371	336	298.94	Fletcher Chal'ge
Woodington	37	38	42	8.22	Bridgend Group

*All cash offer.†Cash alternative. ‡Partial bid. §For capital not already held.‡Unconditional.**Based on 2.30pm prices 2/2/90.†At suspension. §§Shares and cash.

FINANCE & THE FAMILY

Q&A

BRIEFCASE

No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All inquiries will be answered by post as soon as possible.

You'll have to pay up

Five hundred shift workers in our company, including myself, are to get an ex-gratia lump sum payment at the end of the year. This is not a bonus payment, nor is it written into our contract of employment. It is a compensation payment due to a change in shift patterns, starting next year, which will involve working through all bank holidays except Christmas.

We have been informed reliably that this payment might qualify for tax relief under section 148 of the Tax Act 1988: namely, a variation in the terms of employment. We have also been informed that GCHQ employees lost their claim for tax relief on their compensation payment to quit the union. But we feel our position is different.

■ On the bare facts outlined, we cannot offer you any hope that the lump sum will escape taxation under schedule E. Section 148 is not a relieving provision: it imposes a liability (in certain circumstances) on payments which are "not otherwise chargeable to tax." The words in inverted commas are taken from the parenthesis in sub-section 2 of section 148. If you wish to check the law, you could look in Volume G of Simon's Taxes in a local reference library.

Early claim warning

In the tax year 1982/83, two companies in which I had investments went into receivership so that, for the tax year as a whole, I incurred a loss on my portfolio. This was declared on my tax return and has been carried forward since that time. In subsequent years, realised capital gains have not been in excess of the exempt allowance.

In the present year, however, I would be able to use the previous loss to set off against gains in excess of the £5,000 tax-exempt limit. I had always assumed that, since indexation was introduced, the same rules applied for losses as for gains, and I mentioned this in correspondence with my tax office. They have replied as follows:

"I have considered your comments regarding the indexation allowance on capital gains or losses. I confirm that, for any sales of shares after April 6 1985, a person can elect for indexation allowance to be calculated on the value of the shares at March 31 1982. Likewise, an allowable loss can only be increased by the indexation allowance for losses arising from sales after 6th April 1985. Therefore, any losses which arose in 1982/83 will not be increased, as they took place before April 6 1985."

Although badly worded, the intent is plain, and I would be grateful for your observations on this claim by the Inland Revenue that indexation cannot be applied to losses incurred between March 31, 1982, and April 6, 1985.

■ It is a pity that you have missed our warnings against premature claims that shares have become of negligible value and our suggested wording for a negligible-value claim at the appropriate time.

The basic principle is that negligible-value claims (under section 22 (2) of the Capital Gains Tax Act 1979) should not be made until the first two or three days of April at the end of a tax year in which there will be sufficient net taxable gains to absorb the potential allowable loss on the shares in question.

This will ensure the maximum indexation relief, because the RPI for April is invariably higher than that for any of the preceding 12 months. An exception to this principle arose when the former Chancellor announced that allowable losses on disposals after April 5, 1988, would be restricted by reference to the value of the shares at March 31, 1982.

There are a few other circumstances in which the basic principle is inappropriate, but it is a good working rule. No claim is needed when a company is finally struck off, as this event produces an allowable loss automatically — section 22 (1) of the CGT Act.

The question to be considered first is whether what you wrote in your tax return in 1983 constituted a claim under section 22(2). If it did not, the next question is whether the companies have yet been struck off; if so, in which tax year (and in which month) was each of them struck off? If the companies still exist (and, consequently, your shareholdings still exist), you could write to your tax inspector pointing out that you have not yet made a formal claim under section 22 (2) of the CGT Act but that you intend to make such a claim on or about Monday, April 2, 1990.

This could be disastrous, however, if the March 31 1982, value of either of the shareholdings (on the quarter-up basis) was significantly lower than the original cost. If the March 31 1982 value is low, the solution might be to invoke extra-statutory concession D28, requiring the shares to be treated as having been sold (and immediately reacquired) for one penny on April 5 1988.

Ask your tax office for the free booklet of concessions, IR1 (1988).

Division of income

I AM a married pensioner with an income of £9,700 a year from my former employer, the state pension of £3,600 for my wife and myself, and about £550 building society interest. My wife has no income of her own. I am 81 and she is 78.

When independent taxation starts in April, the only income she can set against her tax allowances is the state pension. I would like to declare a division of income - that is, my pension from my former employer — on a 50-50 basis as, when I die, my wife will automatically receive half of that pension. Would this be permitted under the new regulations?

■ No. The pension is undoubtedly payable to you (for as long as you live) under the terms of the scheme. Any attempt to alienate part of your pension (or the whole of it) would almost certainly be frustrated by section 674A (3) of the Income and Corporation Taxes Act 1988, which was inserted by section 109 of the Finance Act 1989.

Might it be possible to give your wife money from the building society account, so that she could invest it herself (outside the scope of the reduced-rate and composite-rate tax schemes)? If that were done, she could recover any tax deducted or tax credit (in the case of UK dividends), provided that the income was credited to an account to which you have no access.

If you do decide to give money to your wife, then it would be best for her state retirement pension to be paid into that separate account also. On the other hand, if you decide to leave things as they are, there is no need to alter the present arrangement.

A need for good advice

I am trying to find out about the tax position of a private investment company without much success.

If I form a private investment company with my own and some borrowed money, how would the interest payable be treated for tax purposes? Would the company be able to claim back the tax credit on the dividend from the Inland Revenue? If I am a director of the company, could I deal in stocks and shares in a personal capacity?

■ Although the former Chancellor substantially modified his 1989 Budget proposals for a penal tax regime for private investment companies, we cannot recommend that you pursue your idea. But if you do decide to go ahead, you should consult a good accountant or solicitor (or both) so that all the pitfalls can be explained fully and discussed. You must be prepared to pay a substantial price for this guidance.

Change of ownership

I am sole owner of a large house (no mortgage) which has been divided into two. My wife and I live in one part and the other part has been divided into bed-sits and rented out. In the event of my selling, I appreciate that the "business" part of the house will attract capital gains tax.

In preparation for independent taxation of husbands and wives, I wish to change my sole ownership to joint/equal ownership with my wife. This means she will have half of the rent income to set against her tax-free allowance; it will also double our relief from CGT when we sell.

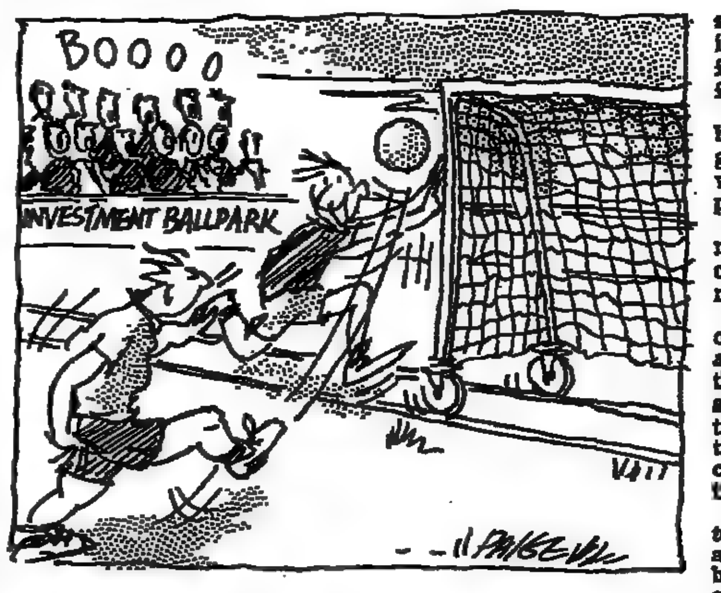
This all seems straightforward to me, but my solicitors are making a real "meal" of it. They wonder — but seem unable to clarify — whether giving half of the house to my wife will lead to liability for CGT on half of the "business" part.

■ There will be no CGT liability upon the transfer of the property from your sole name into your joint names (as tenants in common), by virtue of section 44(1) of the Capital Gains Tax Act 1979, in conjunction with paragraph 2 of schedule 13 to the Finance Act 1982 (as amended by the Finance Act 1985).

Even if the property is conveyed to your wife and yourself as tenants in common (as distinct from joint tenants), your wife's half share of the rent could fail to be treated as your own income (in addition to your own half share), under section 674A of the Income and Corporation Taxes Act 1988. You might like to discuss this possibility with solicitors.

David Cohen on how executives can exchange old contracts for new performers

Scoring with a used option



THE STOCK market — as measured by the FT-SE 100 index — touched a new peak early in January but many share prices remain in the doldrums and many executives with share options have had a miserable start to 1990.

Smaller companies in particular have generally failed to recover from the savage markdown inflicted during last October's mini-crash.

This is miserable news, not just for shareholders in these under-performing stocks, but also for executives with share options.

There is no easy antidote for the shareholders, but a company can offer instant relief to its employees by allowing them to swap old options for new.

Most executives hold their share options under Inland Revenue approved schemes. One of the conditions for Revenue approval is that the subscription price of an option — in other words the price payable by the executive when he takes up the shares — must be no less than the market value of the company's shares when the option was first granted.

Provided the share rises, the option will enable the employee to take a stake in his company at a favourable price. But if the price falls below his subscription figure there will be no point in the employee exercising the option since he could buy more cheaply in the market.

Of course the executive can wait — usually for up to ten years — hoping that the price will recover.

But if the option stays "out of the money" for too long these lingering hopes may start to fade away.

An option designed to act as an incentive could then become a source of demotivation and disillusionment.

It is in these circumstances that a company may consider granting new options at the prevailing market quote in place of the old no-hope options, and for the same number of shares.

If this possibility is contemplated, the first question is whether the rules of the share scheme present any obstacles. The most likely problem area is the individual participation limit.

The Revenue requirement is that no executive should hold options over shares worth more than four times his salary or £100,000 if greater. This test is designed to look at any existing options and disregards those which have been surrendered or otherwise lapsed.

However, the Investment Protection Committees, representing the major institutional investors, recommend that companies adopt a more widely encompassing limit. This limit includes all options granted in a ten-year period, whether or not they are still in existence.

Companies which have simply followed the Revenue's formula will have no problem at all with an option exchange but those which have also complied with institutional wishes may find their plans stymied.

Suppose, for example, that in 1987 Mr A was granted an option over 80,000 shares in ABC Ltd at £1.50 per share. By 1990 the price has declined to £1. Mr A's annual salary is £40,000 so his option limit is £160,000.

ABC's scheme rules apply that limit to all options up to ten years old. So even if he surrenders his current option it will continue to absorb £120,000 (80,000 x £1.50) of his £160,000 allowance until 1997 .

The remaining £40,000 will be insufficient to cover the grant of a replacement option which, even at the reduced price, will cost £80,000.

The next point to consider may seem a technicality but is crucial to the success of the manoeuvre.

The granting of the new option must not be contractually linked to the surrender of the old. In the Revenue's view, such a link would contravene the approved scheme conditions and might also create tax complications for the executives.

The Revenue is not seeking to deter option swaps. As long as the legal documentation betrays no connection between surrender and re-grant the Revenue will nod it through.

The acid test is that there should be some point in time after the old option has been surrendered when the executive would have no legal recourse if the company refused a re-grant.

As long as the paperwork stands up, the fact that both parties view the surrender and re-grant as a single composite transaction is irrelevant. Admittedly, the executive must take a technical risk: but the option he is giving up will be of dubious value and he has the added security that a company is hardly likely to double-cross key staff.

If this advice is followed, the option "exchange" will not trigger a tax charge. But in one respect, the executive's tax position will have deteriorated. You can exercise an approved option tax-free, but this tax exemption is lost if exercise occurs less than three years after the option was granted. Most schemes prohibit exercise in the first three years, and exchanging options means wiping out the time which has already run on the old option and turning the clock back to the beginning of the three-year period.

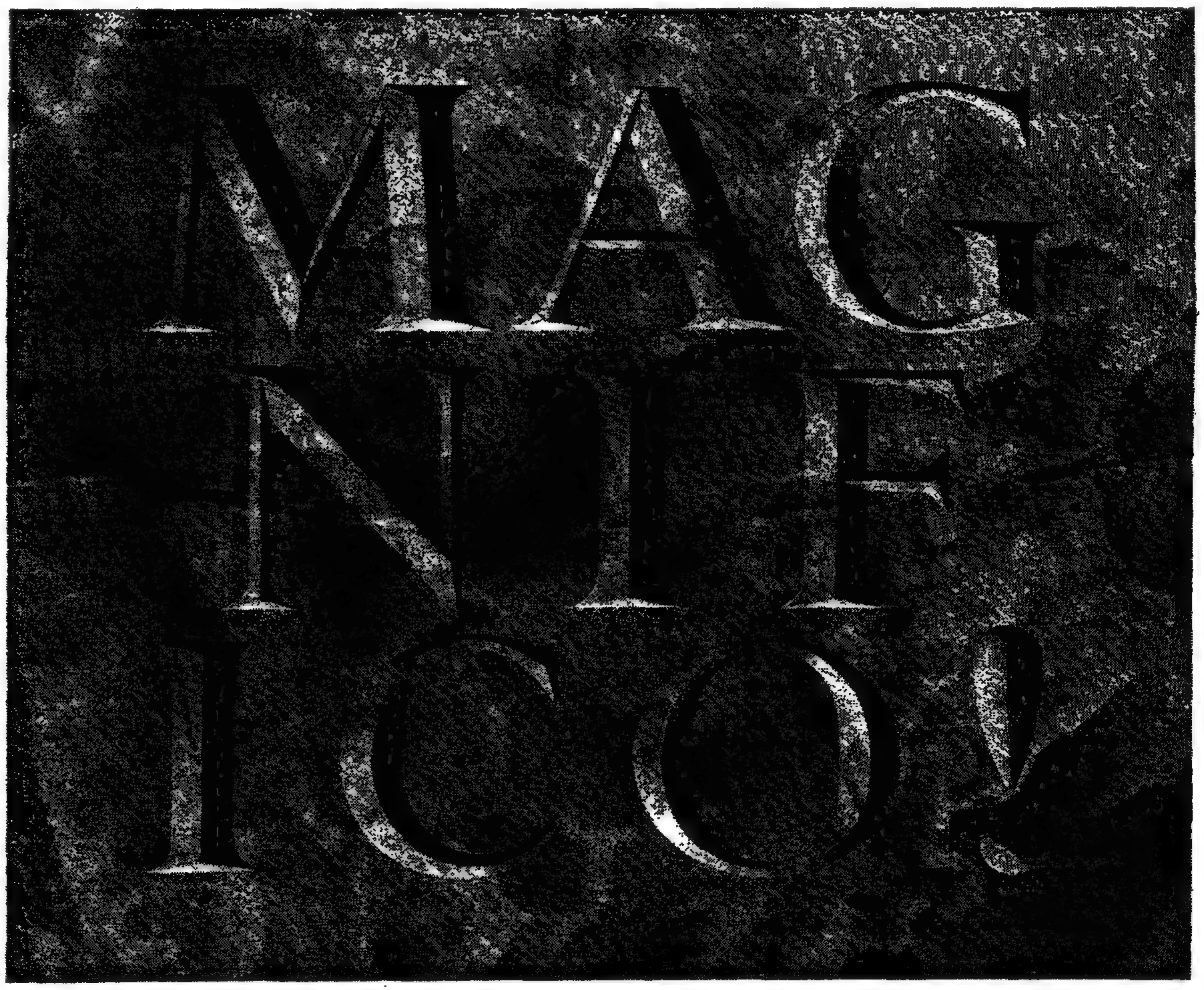
In cases where the old option is not that far above the current price and has been running for some time, the executive may be reluctant to abandon it. If the company is content, one solution to this dilemma would be to let him keep his existing option while granting him a new "parallel" option.

If either option was exercised the other would automatically lapse, so the executive could not acquire any more shares than before. However, if the share price recovered sufficiently he could make his own trade-off between an earlier exercise and a larger profit. Scheme rules in individual companies may well need to be amended to allow for the creation of parallel options.

Even if all these technical issues can be satisfactorily resolved, a company would be ill-advised to embark upon an option swap without first searching its corporate conscience and, perhaps more important, gauging the reactions of significant institutional shareholders.

Fund managers, already upset by investing in a dud share, may not be best pleased to see the goalposts moved for the benefit of directors and other senior executives.

■ *David Cohen is a partner in the City law firm of Paisner & Co.*



FINANCE & THE FAMILY

Losers in the equity game

SO YOU have made yourself a tidy little sum on the stock market over the past few years and you don't see how you can lose in the equity game? Well, think again.

If you had invested £1,000 in 1968, you would not have made any capital gains in real, inflation-adjusted terms over the subsequent two decades.

A similar investment in 1972 would equally have been doomed, leaving you with real capital in 1989 of £997.

And if you had parted with your £1,000 just before October 1987, at the height of the 1980s' bull market, you would still be well down on your money in real terms.

These figures, from the latest Equity-Gilt study by broker Barclays de Zoete Wedd, underscore the importance of timing in equity market investment.

To have bought shares in the 1960s and sold them in the 1970s would have been a losing proposition after allowing for inflation in many years of those two decades.

On the other hand, these statistics can be stood on their head. An investment of £1,000 in 1952, before the Butler reforms of the British economy, would have given you a 200 per cent real return to the end of 1979; and you would have turned £1,000 of investments in 1981 into £2,500 last year.

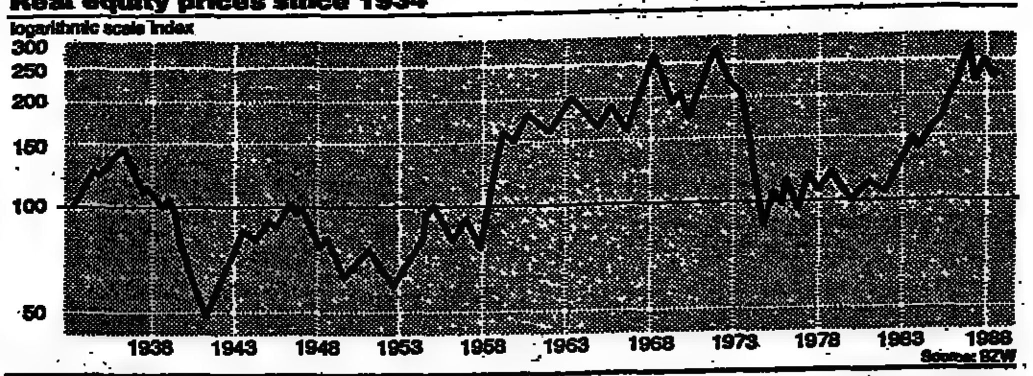
What all this goes to show is that the stock market is a topsy-turvy place where adjustments are from time to time extremely abrupt – a point which needs no labouring with those who suffered in the 1987 crash.

This does not, however, mean necessarily that investment in stocks is an outlandish risk.

For one thing, investors receive dividends, a factor not included in the comparisons quoted previously. For another, the equity market shows a steady gain in real value over long periods.

BZW equates this to a real growth rate of 2 per cent a year

Real equity prices since 1934



which, it says, can be rationalised in terms of the steady upward movement of the economy. And investors also have the option of regular month by month purchases on the stock market.

This ensures that they buy shares when prices are low as well as when they are expensive.

So much for history. As to the future, the study throws up various points for investors to chew over.

First, the past seven years – a period of expansion following the partial collapse of the Opec oil oligopoly – has been the most remarkable for equities since the 1920s. We all know what happened to bring an end to that heady era of growth – the biggest stock market crash, as it turned out, until 1974.

Second, the exceptional performance of the UK market by comparison with the US could be coming to an end.

BZW shows that it has paid to be invested in the UK rather than the US during the 1980s, reflecting, it argues, the different impact of oil price increases and the revitalisation of the British corporate sector.

This period, it says, has now probably ended. "Britain will in the 1990s be in very much the same position as the USA in respect of oil . . .

"There seems every reason to expect American industry to respond as well as British industry to the stimulus of international competition and of Japanese investment. It therefore appears likely that Wall Street will perform at least as well as London in the 1990s, possibly a good deal better."

Finally, says the study, "history teaches us that, sometimes after a delay, inflation is bad for equities."

BZW goes on to argue that the Government aim of going into the next general election with a favourable economic background is likely to lead to "an intensification of inflationary pressures." You have been warned.

Terry Dodsworth

On the right track . . .

IF YOU hear from people named Dudley, Pound, Jackson or Kyriacou, don't give them the cold shoulder. As the private detectives of the small investors' underworld, they often bring good news.

With the help of some dog-eared old telephone directories, estate agents, and a library full of company documents, they track down the rightful – and, in most cases, entirely unsuspecting – owners of shares in companies which have been taken over. They then tell the surprised share-holders how they can lay their hands on the cash and dividends that have accrued over many years. In most cases, this means a windfall of several thousand pounds.

Shareholder Investments Research (SIR), of which they are directors, was set up eight years ago to track down investors in the old rubber plantation stocks. Many of the UK-listed companies which controlled rubber plantations in Malaya (as it then was) grew by gobbling-up the small rubber estates. In turn, they were taken over by local entrepreneurial interests in the 1970s at a time when the shares were under-valued.

In some cases, the shareholders in the company being taken over were given a 12-year limit within which to submit their claims for the cash or new shares. If they had not made a claim by then, they forfeited their rights.

"No-one was making any effort to trace these share-holders and tell them of their rights, so we did," says Michael Dudley, managing director of SIR. "It was a good source of business for us. After the [Second World] war, rubber shares were like penny stocks: the Japanese over-ran Malaya and the estates were devastated. A rubber tree takes seven years to mature, so no one wanted to buy rubber plantation shares".

He quotes one case involving a woman who lived in Singapore but was killed by the Japanese during the war. SIR traced her nephew by placing an advertisement in the *Straits Times*: his aunt's tuppence ha'penny shares from 1942 were worth about £11,000 when he claimed them last year.

Now, SIR concentrates mostly on UK take-overs, particularly companies which have swallowed a lot of others and where the share price has shown a very rapid appreciation. The search for shareholders who have not come forward often spans different continents – stretching from the Soviet Union to Argentina and Haiti – and involves checking changes of address, wills, and tracing any relatives in cases where the original share-holder has died. "It's a bit like treasure-hunting," says Dudley. "There's a vast amount of unclaimed paper which is quite valuable."

It is not always possible to trace the share-holders, though. For instance, thousands of investors who held bearer stock in one particular South African gold company have gone missing. Many are thought to have been killed in the Second World War or died in concentration camps. Today, the company would owe them about £1m altogether in accrued dividends, but it is unlikely the money ever will be claimed.

In other cases, it can prove impossible to release the funds owed. Share certificates in one particular Hong Kong-listed company have been locked in a bank deposit box in Shanghai ever since the 1949 communist take-over. SIR traced many of the foreigners who once lived in Shanghai and owned the shares but, so far, the Chinese authorities have not handed over the documents.

SIR charges up to 25 per cent in commission (or 30 per cent for particularly complex cases). But the rewards can be substantial: there have been a couple of jackpots of £100,000, although most are round £3,000. The investigators have recovered shares and cash worth about £5.3m over the past eight years.

If you think you have mislaid some share certificates, you can always check your holding by writing to the share registrar or getting your stockbroker to assist you. But if you receive a letter from SIR, don't throw it away. It might contain something very much to your advantage.

Sara Webb

Labour calms fears over pensions

MANY EMPLOYEES using personal pensions to contract out of Serps (the State Earnings-Related Pension Scheme) have had a very good financial bargain although there has been one cloud in what has, to date, been a clear blue sky: What happens to these personal pension contracts if the Labour Party wins the next general election?

There have been two conflicting rumours about this. One, from certain out-spoken trade union officials, was that employees who had the temerity to opt out of Serps should be barred from returning. The other, circulating more widely, was that employees would be repatriated forcibly into the state scheme.

This time last year, when life companies were in the throes of a mass advertising campaign that resulted in more than 3m employees leaving Serps and taking out personal pensions, no-one was too bothered. Few people thought Labour would win the next election and, anyway, the party itself had not made clear its policy towards pensions.

Twelve months on, things have changed. It is not just Labour supporters who think it can win the election: many investment managers in life companies and unit trust groups now regard a Labour victory as possible.

Now, too, Labour has made its intentions on pensions known through its Policy Review, supplemented by statements from social security spokesman Michael Meacher.

There is re-assuring news for employees who have contracted out of Serps. Speaking recently to an audience in Denton, Lancashire, Meacher pledged that "those already opted out into personal schemes will not be required to rejoin Serps."

So, the all-clear has been given to continue selling personal pensions without worrying about the future.

This does not mean that the Labour Party in general, or Meacher in particular, have had a change of heart towards personal pensions. He told his audience that despite all the "bribes" given by the Government to encourage employees to contract out, "Serps remains a better deal for most of its 11m original members."

Meacher's opposition appears to be based mainly on the proposition that personal pensions are risky because they do not give pension guarantees.

He considers it unfair for employees to "take risks with their pension arrangements which, if they did not come off, would leave those employees with an insufficient retirement income."

Michael Meacher . . . no forced return to Serps

The next Labour Government intends to restore Serps to its former glory, and contracting out will be permitted only if life companies can give an equivalent Serps benefit guarantee – known as a Guaranteed Minimum Pension (GMP) – on personal pensions.

This requirement almost certainly means life companies would stop marketing personal pensions as a means of contracting out of Serps because they would not be prepared to put up the capital required to cover such a guarantee. So, an employee who has not contracted out of Serps with a personal pension by the time a Labour Government takes office will have lost the opportunity.

In spite of this hostility towards personal pensions, Labour will permit all employees who have left Serps to stay out, although they will always have the option of going back.

The mechanics of how this concession would work are obscure. But one result would seem to be that employees who stay out of Serps would be locked-in to their existing life companies. They would lose the present facility to switch between providers.

Meacher and his advisers consider that employees have left Serps in favour of personal pensions only because they have not been given the full facts and a proper comparison, despite the requirements of the Financial Services Act. He believes that once the facts are known, employees will return in droves to the state scheme.

Thus, a Labour Government would run information campaigns and would also require life companies to give each personal pension-holder an annual statement comparing the benefits with those of Serps. At present, the companies provide such comparisons only if asked.

Meacher hopes his plans will counter the big advertising campaigns for personal pensions. Whether he succeeds remains to be seen. But he has done a valuable service to employees by reminding them to ask for more information before deciding to leave Serps and take a personal pension.

Eric Short

INTEREST RATES: WHAT YOU SHOULD GET FOR YOUR MONEY

	Quoted rate %	Compounded return for taxpayers at 25%	40%	Frequency of payment	Tax (see notes)	Amount invested £	Withdrawal (days)
CLEARING BANK*							
Deposit account	5.00	5.10	4.08	monthly	1	-	0-7
High interest cheque	7.00	7.20	5.76	monthly	1	500-4,999	0
High interest cheque	9.00	9.40	7.52	monthly	1	5,000-9,999	0
High interest cheque	9.20	9.60	7.68	monthly	1	10,000-49,999	0
High interest cheque	9.50	9.90	7.92	monthly	1	50,000	0
BUILDING SOCIETY†							
Ordinary share	6.50	6.61	5.29	half-yearly	1	1-250,000	0
High interest access	8.50	8.50	6.80	yearly	1	500	0
High interest access	9.00	9.00	7.20	yearly	1	2,000	0
High interest access	9.50	9.50	7.60	yearly	1	5,000	0
High interest access	9.75	9.75	7.80	yearly	1	10,000	0
90-day	9.75	9.99	7.99	half yearly	1	500-9,999	90
90-day	10.25	10.51	8.40	half yearly	1	10,000-24,999	90
90-day	10.75	11.04	8.83	half yearly	1	25,000	90
NATIONAL SAVINGS							
Investment account	11.75	8.81	7.05	yearly	2	5-25,000	1 mth
Income bonds	12.50	9.93	7.94	monthly	2	2,000-25,000	3 mths
Capital bonds	12.00	9.00	7.20	yearly	2	100 min.	3 mths
34th issue¶	7.50	7.50	7.50	not applica	3	25-1,000	8
Yearly plan	7.50	7.50	7.50	not applica	3	20-200/month	14
General extension	5.01	5.01	5.01	not applic.	3	-	8
MONEY MARKET ACCOUNT							
Schroder Wagg	10.76	11.31	9.05	monthly	1	2,500	0
Provincial Bank	11.05	11.59	9.27	monthly	1	1,000	0
UK GOVERNMENT STOCKS							
8pc Treasury 1991	13.24	11.12	9.85	half yearly	4	-	
8pc Treasury 1992	12.76	10.63	9.36	half yearly	4	-	0
10.25pc Exchequer 1995	11.65	8.99	7.40	half yearly	4	-	0
3pc Treasury 1990	12.03	11.28	10.79	half yearly	4	-	0
3pc Treasury 1992	10.60	9.77	9.27	half yearly	4	-	0
Index-linked 2pc1992§§	9.85	9.34	9.03	half yearly	2/4	-	0

*Lloyds Bank.†Halifax 90-day: Immediate access for balances over £5,000.¶ Special facility for extra £10,000 §Source:Phillips and Drew. §§Assumes 5.5 per cent inflation rate. 1 Paid after deduction of composite rate tax. 2 Paid gross, 3 Tax free. 4 Dividends paid after deduction of basic rate tax.

MINDING YOUR OWN BUSINESS

Roy Hodson finds a gallery with a corporate outlook

Putting art in good company

CYNICS MIGHT think that trying to make a living by persuading businessmen to part with company money for art is like pushing water up-hill. But 24-year-old Jonathan Kearns of Lichfield, Staffordshire, is sufficiently young and enthusiastic to be having a go.

It began when the successful Halcyon Gallery — run by Paul Green, 32, and situated in a modern mall over New Street railway station in Birmingham — found that a number of business people who bought pictures for their private collections were keen to take their art interest into their offices.

Kearns, who joined the gallery 18 months ago to take charge of marketing, accepted the task of putting the sale of art to industry and business onto a professional footing through a company called Halcyon Gallery Corporate (HGC). It is selling paintings, limited edition prints and occasional sculptures to manufacturing and service industry as well as an increasing number of professional firms such as accountants, lawyers and architects.

"Often, the interest starts with the idea of a few paintings to liven up the managerial offices and the board-room and develops from then on," says Kearns, who has organised special exhibitions for businessmen in Birmingham and London.

The new company has sold £250,000 of art, mostly paintings and prints, in its first year and Kearns says orders are still showing a healthy trend.

HGC owes a great deal of its success to being started on the back of the existing Halcyon Gallery, and it has the full run of the parent's facilities and contacts. Indeed, Halcyon was itself a brave venture.

Green was keen to open a gallery seven years ago when he was 25. His father and mother, Lionel and Reans, who had a small family tailoring business, decided to sell up and invest all their capital in the venture.

In the first year, Halcyon turned over £40,000. This year, it expects a turnover of £1.8m and is selling the works of more than 200 contemporary artists.

Kearns identifies three specific areas where there is a market for corporate art:

■ Companies that want to enhance their working environments. Recently, he sold 40 original contemporary paintings to Bristol Myers Pharmaceuticals for its headquarters, a stately home at Ickenham in north-west London.

■ Business buyers who also appreciate the investment potential of contemporary paintings and prints. (At least, the thought encourages them when they are tempted to make purchases).

■ Companies that look upon good art as a strong tool in promotional activities.

Rothmans, the cigarette giant, is sponsoring a maxi-yacht which is well up with the leaders in the Whitbread round-the-world race. On the company's behalf, Kearns commissioned artist *Michael Vaughan* to paint a stirring picture of the boat beating to windward in a strong breeze.

The original will hang in Rothmans' headquarters but HGC has arranged for a limited edition of 300 prints to be be used as promotional gifts. The painting — which is likely to appear in advertising material as well — will have a global circulation.

Kearns and Green have found there is no shortage of artists interested in working for the corporate market. Painters are recognising that professional marketing of their work to the business world has the pleasant effect of raising the prices they can command.

The two men are now planning an art show in Selfridges, the London store, in May on the theme of wild-life and conservation. They hope to raise about £20,000 for the World Wild-Life Fund from sales of originals plus a further £10,000 from selling wild-life posters, licensed by the fund, which they are printing. These will cost £12.95 each.

☐ *Halcyon Gallery Corporate, 59 The Pallasades, Birmingham B2 4XJ (tel. 021-643-4474).*

Paul Green and Jonathan Kearns . . . selling art to industry and business

Trevor Humphries

Pertinent factors

NEW FIGURES from the Association of British Factors and Discounters, which represents the 11 biggest invoice factoring firms in Britain, add weight to their claim that businesses using their services will receive their money more quickly. Companies using factoring and invoice discounting services last year were, on average, being paid 64 days after the issue of an invoice, says Leslie Bland, chairman of the association. That was 11 days faster than the average time between invoicing and payment in UK business.

The factors themselves take a professional pride in improving their performance. Last year, they managed to improve by half a day the average time they take to secure payment on bills they manage.

With all five of the top British clearing banks now investing heavily in factoring (invoice discounting is really the same thing, but applied to the bigger companies with turnover well above £1m a year), the factors are looking forward to vigorous growth in their business. Bland says there was a 15 per cent rise last year in the number of businesses using factoring and invoice discounting services provided by his member companies. The volume of business they handled rose by 24 per cent to £11.6m.

As high interest rates bite this year, the growing cash-flow problems of small companies should serve to focus attention more closely upon the the service that factoring offers. Already, there has been a 41 per cent increase in the number of UK debtors where legal action is in progress (compared with a year ago). Collecting the cash quickly becomes a high priority when cash itself is so expensive.

☐ *The Association of British Factors and Discounters: Information Office, 24-28 Bloomsbury Way, London WC1A 2PX (tel. 01-831-4268).*

R. H.

Two Dubliners with designs on talent

WITH MORE than 5,000 design firms offering their services in Britain, the competition is formidable for the newcomer. But that does nothing to deter young optimists. Buoyed by high hopes for their own skills, they are starting new businesses every day although this crowded market is hardly expanding at all just now.

The ones who make it are those who combine artistic skills with business flair — and also have the knack of attracting the most talented people to work for them. Indeed, design is almost wholly a "people" business. It sells talent to a business world which, often as not, does not know what it wants from design — but expects it to be good.

Tim Aston Design, a business just three years old, is moving faster than most of its competitors after pinning its future on a gamble. The two Dubliners who own it — Tim Aston, 31, a designer, and Niall Henry, 30, whose training has been in computers and line management — were working from a cramped room (400 sq. ft including the toilets) in Islington, north London, until 18 months ago.

They were getting a good flow of work (mostly in designing literature for big companies including brochures, catalogues and annual reports) but they could not grow without hiring more staff. They had to expand or go under.

But they found quickly that very few of the better young designers were interested in working from garrets. From the moment they leave college, a market exists for their special skills and they tend to give high priority to their working conditions. They look for designer-inspired offices with modish surroundings to match interesting colleagues.

So, Aston and Henry decided they must risk everything upon moving the business to a smart and well-equipped studio. They were lucky enough to find just what they needed in a building modernised for commercial use in Latimer Road, North Kensington, with a 15-year lease at £11 a sq. foot initially. The problem was to pay for the installation costs and new equipment. Bank loans against both their homes raised £50,000 and they made the move hoping that enough business would materialise to pay the higher overheads and extra staff they proposed to employ.

The gamble has paid off. With two design teams of three people each, and a small managerial team of two, the firm has increased turnover quickly. This doubled in the first full year to £200,000 and last year reached £312,000. This financial year, it is expected to reach £850,000 (although this includes some heavy print runs ordered for clients. Aston estimates that his net turnover from fee income this year will be about £600,000).

Within the past few weeks, the firm has won its biggest contract so far — from Royal Mail Parcels — and will be involved in a literature design project over several years. "It is such a big contract, it has lifted our level of business into a new league," says Henry.

It also happens that Latimer Road is proving an excellent location for a thrusting London design company. The nearby Westway motorway extension is a great help to business communications and the BBC's new headquarters, now nearing completion, is attracting a number of creative companies to the vicinity in converted warehouses, old housing or new developments.

Equipped now with a good studio and more work on hand than ever before, Aston and Henry say their next priority is to recruit more top-quality talent. They are planning to tour the art and design colleges soon to see if they can find some exceptional people. "We will increase our core staff to 20," says Aston. "We would then be in a position to handle any contract, however big, topping-up our team as needed with consultants brought in on short-term contracts."

☐ *Tim Aston Design Ltd. Olympic House, Latimer Road, North Kensington, London W10 6RA (tel. 01-962-9136).*

R. H.

Ashley Ashwood

Niall Henry and Tim Aston . . . designers in a hurry

PERSPECTIVES

Sharansky: activist, fund-raiser and Zionist

A prisoner of his past

Christian Tyler meets Natan Sharansky, a hero from the gulag

AS THE Soviet Union staggers towards a constitutional crisis, Natan Sharansky, hero of the gulag, is shuttling about the West to warn of a rising tide of anti-Semitism in the USSR and what could become the biggest Jewish exodus in 500 years.

Sharansky, the human rights activist, fundraiser and Zionist still overwhelms Sharansky the rescued husband and proud new father. The man who created his own freedom, by means of protest and hunger strike in the cold confinement of the punishment cell, today has all the physical liberties the West can offer and the money to enjoy them. But he has precious little free time; he is the prisoner of his own spectacular past.

Ever since the diminutive prisoner zig-zagged across Berlin's Glienecke Bridge to the West in 1986, disobeying his guards' instruction to walk in a straight line, still defiant after nine years in jail, his efforts to alter the fated trajectory of his life seem to have failed.

Revolutions in Eastern Europe, ferment in the southern Soviet republics, and what he sees as dangerous disillusionment in the Russian federation all compel Sharansky to keep moving.

Last week he was in the US briefing President Bush on the new threat he perceives to Soviet Jews. This week he was in London canvassing funds to resettle the emigrants in Israel, his adopted home. (Perhaps the real highlight of the London visit was an entire free day, which he and his wife Avital spent riding round the city in the rain on the top of a doubledecker bus.)

Asked about the seismic shifts in Eastern Europe and his former country, Sharansky said: "Like other dissidents I feel personal pride in what has happened. We were like midwives of that process. But the immediate consequence for the Jews is negative – a rise in anti-Semitism."

It is the perverse result of the ordinary citizen's attempt to come to terms with the historical truth, Sharansky argued. Today, even official historians have little real quarrel with Solzhenitsyn's estimate that 60m people died under Stalin's rule. "So people are finding that they had an awful history. They are not ready to take responsibility for all this and they need new scapegoats."

As everyone knows, Russia has a long history of anti-Semitism. Under communism it has been disguised as an official campaign against Zionism. But today it has not only resurfaced at the grass roots where it was always strong, but among intellectuals too.

The allegations of the resurgent Russian nationalist movement he dismisses as "laughable". Far more serious, he claims, is the debate in the Press – the outspoken *Moscow News* and *Literaturnaya Gazeta*, for example.

"You will see that at the centre of intellectual life is the question: to what extent the Jews can be blamed for all the years of Bolshevism? They are finding Jewish names among the first revolutionaries. Even Brezhnev's wife was Jewish!"

The result, says Sharansky, is that 2,000 Jewish families a day are applying to emigrate and the queue could now be 1m long, more than a third of the USSR's Jewish population. "Many people said that in the new situation the Jews would not want to leave, because of having more freedom. It was laughable, but very difficult to convince people here."

Natan Sharansky does not look like a hero. Very short, with fleshy features under a bald pate, dressed in a black suit and open-necked white shirt, he appeared incongruous against the pseudo-elegance of the hotel suite his hosts had arranged for him. He has a humorous and jaunty manner but penetrating, chess-player's eyes. In his first life (he is still only 41) he was a mathematician who wrote computer simulations of chess endgames. His English is accurate and rapid but spoken with a very Russian accent.

'Gorbachev didn't realise that there is not such a thing as a little bit of freedom'

To this unremarkable figure – as to anyone who has endured similar trials – there clings a mysterious aura. It is this that so limits Sharansky's new freedom: the curiosity of ordinary mortals in the presence of an extraordinary one.

One feels that his superhuman cussedness and courage were the things that mattered, not the particular variety of brute totalitarianism that put him away. In his best-selling book *Fear No Evil*, Sharansky described it thus: "I came to realise that nothing they did could humiliate me. I could only humiliate myself by doing something I might later be ashamed of."

Sharansky admits that the Gulag was in a sense the pinnacle of his career and that liberty's lack of a perpetual *challenge is not* all that easy to accommodate. Freedom, he once said, had made his life much shallower.

He still carries around with him the little black book of the Psalms in Hebrew that helped sustain him in prison. The fly-leaf is torn to hide the fact that the book was printed outside the USSR.

Surprisingly, he does not regard himself as one of nature's agitators. "I don't think I was born wth the idea of fighting. I was happy playing chess or solving mathematics puzzles. But when you realise what a miserable life it is to be a slave you don't want to make any more compromises. Many people don't realise what a big potential they have to resist, and don't start even."

Although its ideology is dead, Communism continues, Sharansky said. "While people in the West are dying of love for Gorbachev, in Russia they are sceptical. Gorbachev understands the nature of the economic problem but not the nature of the people.

"He thought they would be grateful for a little bit private property and a little bit of freedom. He didn't realise that there is not such a thing as a little bit of freedom."

"This line cannot succeed. It's in the best interests of everyone that Gorbachev makes this choice between empire and the economy as soon as possible. The West should think not how to save Gorbachev but get him to make the choice."

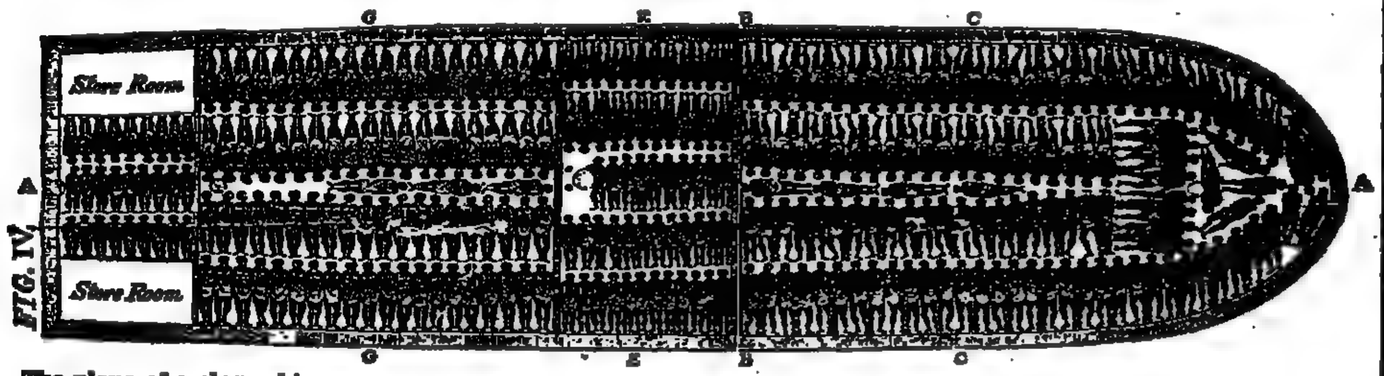
Will Russians take to the streets in revolt against Communist Party control? Sharansky says he discussed this with his fellow dissident the late Andrei Sakharov just a week before he died. The people have other priorities and Sharansky thinks they will not fight over Article 6 of the constitution that enshrined one-party rule. The real moment of decision, of possible bloodshed, would come if the Ukraine was to follow the Baltic states and southern republics in demanding independence.

Ex-dissident Sharansky has tried several times to abandon his mission for domestic life. Avital was the main reason that the attempt to make him Israel's ambassador to the United Nations failed. "Now my wife says she has the feeling that everything that went before was really for what is beginning now. I still hope I will reach the situation where I can say that what I can do others can do better." Then, he says, he will retire to a life of lecturing, writing and the family.

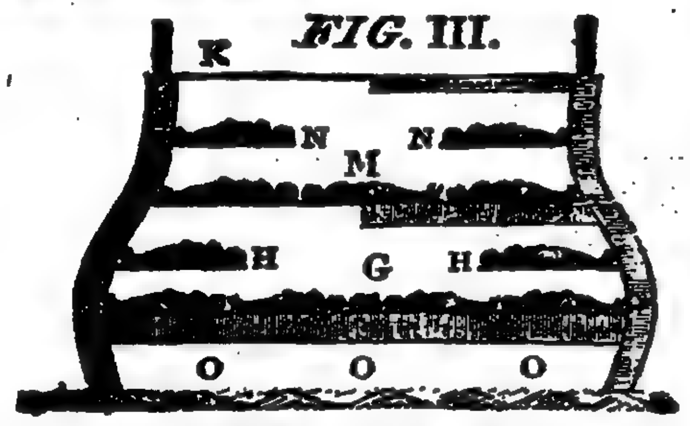
Avital (formerly Natasha) seems to be still the emotional pivot of Sharansky's life. He has confounded those who predicted his fairytale reunion with the shy wife – who campaigned ten years for his release – could not last.

His first book has made Sharansky a well-off man and guaranteed his family's independence for several years.

He is planning a second one which he says will be about the contrast between the dissident's perception of freedom in the West and the reality. Westerners, he said, live in a world "overcrowded with freedom" – and then, lacking the experience of what repression is, set *about making little prisons for themselves.*



The plans of a slave ship



Genius of the place

A halt to the devil's work

Nigel Spivey on the home of the man who stopped the slave trade

WILBERFORCE House in Hull is a place to which I should like to have taken my late grandfather. Grandpa was an East Ender possessed of strong opinions. Some of his opinions were well-founded: for example, the only football team consistently worth watching is West Ham; others were arguable: e.g., The Daily Express prints nothing but the voice of pure reason; and yet others were downright pernicious: e.g., all black men, nig-nogs and piccaninnies belong to Africa, and if they happen to be elsewhere then to Africa they should be repatriated forthwith. In this latter conviction, I think Grandpa would have been shaken by what he saw at Wilberforce House.

Modern museum technicians know how to shake us. If we entered a reconstruction of the hold of a slave ship, and simply saw black dummies stashed and shackled there, we should be slightly moved. But add the noise of the vessel's creaking, and the slow moans of mistreated men, and we are shaken. A mock-up of reality does not always work, but the new layout of Wilberforce House (opened in 1983) is effective. Having passed through the hold, you inspect the plan of a slave ship as drawn up in 1789 as part of the Abolition of Slavery campaign: and it is, as Grandpa would have said, bloomin' diabolical. The devil's work.

It was lucrative trade, as the devil's work tends to be, and participation was widespread. Of Liverpool circa 1750 it was said that every brick of the town was "cemented with an African's blood." Choice country retreats were built on the proceeds of the slave trade.Only the vital component of greed in human nature can explain why William Wilberforce and his associates made it their lives' work to end slavery.

The associates were important – they included Pitt and Fox in Parliament, the poet William Cowper and Josiah Wedgwood, the genial pottery king – but Hull is right to specially celebrate her native Wilberforce. One of the city's landmarks remains the column erected to Wilberforce quite soon after his death in 1833. Wilberforce House predates the philanthropist: a Dutch-style building sequestered in High Street, a cobbled Jacobean segment of Hull, which once played host to Charles I. And though he had nothing to do with the house, a portrait of Andrew Marvell hangs there: another MP of whom Hull may be proud.

As a museum, it is instructive in many ways. One thinks democracy a clean and well-tried British institution: but it was a plutocracy in which Wilberforce participated (his seat in Parliament cost him more than £8,000). Evangelical Christians were the people who mobilised the most practical measures in the campaign against slavery. One thinks of "campaign merchandise" as a modern phenomenon: but it was all being harnessed by both sides of the slavery issue. In fact it was on the whole more imaginative than the ephemera produced by the propagandists of today.

Several pieces of the slavery merchandise reveal a curious feature of nationalism. There is the figurine of a negro, cast in the attitude of prayer or praise. The patronising legend beneath is: "BLESS GOD. THANK BRITTIN. ME NO SLVE." It was said that in the Spanish Inquisition there were no worse tormentors than those who had been lately converted; and so it was with slavery and its abolition.

The British, having largely created and conducted the slave trade, took sanctimonious satisfaction in disowning it, and encouraging other countries to follow their moral lead. In retrospect the figure of Wilberforce assuages a national guilt. He was a wealthy and energetic man whose fortune and energies were entirely spent upon a cause of obvious benevolence. The wonder is not that he accomplished more or less what he set out to do, but that it took so long. We can afford some pride in the contemplation of Wilberforce: but in his struggle there are plenty of causes for shame too.

■ Wilberforce House, Hull, is open Mon-Sat, 10am – 5pm; Sun 1.30pm – 4.30pm. Admission free. Tel: 0482-222737.

Wilberforce: assuaging the guilt of a nation

Continued from Page I

chev, there was Steven Spielberg.

Hand-in-hand with an eye for simple stories with a universal resonance goes Spielberg's virtuoso visual touch as a director. Only Disney, for instance, ever matched his flair at bringing the inanimate as much as the animate to life. "I love to anthropomorphise objects," he says, when I cite signature touches like the aeroplane haloed by welding sparks in *Empire Of The Sun* or the scarecrow-like mailbox in *The Color Purple*.

Few, if any, popular filmmakers today map out their movies with his degree of poetic imagination. But the down-side to Spielberg's talent as a visual story-teller is his weakness for the fey or sentimental: a weakness which infects much of *Always* and which, given that Spielberg is Spielberg, is like a "Follow Me" sign for the rest of popular American cinema. Indeed, over the past year, almost the whole of Hollywood seems to have become Spielbergised. Family movies abound. "Magic realism," middle America-style, is everywhere. And although you cannot blame one man for the schmaltzier excesses of films like *Look Who's Talking* or *Parenthood*, Spielberg, the imperialist of innocence, the man who proved that naivety and wonder could be gold at the box office, cannot be acquitted wholly.

What we need – and what Spielberg needs if box-office response to some of his recent films is any sign – is another dart in a new direction – surely not too much to ask from the man who re-awoke our primal horror responses in *Jaws*; invented the beatific space fable in *Close Encounters* and *ET*; and, although he sits atop a mountain formed of shattered film industry records, still looks more enthusiastically to the future than to the past.

"It's exhilarating, I guess, to have those records. It's as exhilarating as it would be to run a marathon and get a gold medal at the Olympics. But it's not a goal," he says. "George Lucas and I joke about it . . .

One day, when *Beverly Hills Cop* got into the all-time top 10 earners, George said to me: 'OK, Steven' – Spielberg puts on booming voice – 'you're charged with *Beverly Hills Cop* out of the top 10!' And we joke about it, but we don't take it seriously.

"The nicest reward for making a popular film is just that: people get to see your movies. The theatres are packed, they're loving it, and that makes the process very worthwhile. But there's another process that's very personal. There are films where I don't care what they make at the box-office; they're ones I just have to direct. *Empire Of The Sun* is one of the best experiences I ever had making a film. It didn't turn a profit, it didn't even break even. But if someone said: 'Here's the results ahead of time' – stentorian voice again – 'this film's gonna be $20m in the red, do you still want to make it?' I'd have to say – 'Yes. I want to make it'."

'We get a lot of spies in here'

Christina Lamb visits an unusual Covent Garden giftshop

IN AN OBSCURE record shop in central London, a man is speaking furtively into the telephone about an interior ministry official writing a subversive spythriller. Next to a pile of rare Gracie Fields 78s, a huddled figure in a large overcoat is leafing through a pamphlet and straining to hear. John Le Carré would have been proud of the scenario.

Suddenly the muffled silence is broken. A Cockney voice asks "'Ave you got any ov that Albanian toothpaste?"

A secret code? I wait for the manager to reply with something on the lines of: "The red eagle lands tonight." He disappears into a backroom and strange scrabbling noises can be heard. He returns triumphant, clutching a red and white tube looking suspiciously like Colgate.

From toothpaste to visas: the semi-official window into Albania

A mysterious exchange for a Covent Garden shop on a busy Saturday. But this is more than just a haven for Gracie Fields fans. Owned by a stockbroker called Martin, this is the Albanian Gift Shop Limited and the last vestige of the Cold War between Britain and Albania.

The shop has an uncertain future. For a while on the night of the Christmas Revolution in Romania it was touch and go whether the marble busts of Enva Hoxha which dominate the window display would remain. Hoxha was the Stalinist dictator who ruled Albania with an iron fist until his death in 1985. He represents all that is most repressive about the last bastion of Stalinism in Europe. To criticise him is to be denounced as anti-state.

As rumours flew thick and fast that the Albanian government would follow its Romanian counterpart and collapse within hours, the manager thought it might be tactful to remove the busts before London's few Albanian exiles came on the rampage.

The reports of unrest in Albania turned out to be unsubstantiated, although diplomats in the capital Tirana did say "something unusual is going on," and so far the Hoxha busts remain. At £24 a time they are not a great seller, and Hoxha's collected works have not caught on in the same way as Albanian toothpaste.

"Let's face it, Albania has very little to offer the average person," sighs Liam McDowall, the manager, who is not an Albanian but has visited the country on business.

The shop has never made a profit, admits Liam, and the success of the toothpaste is proving quite a problem. Albania, it transpires, is pretty short of toothpaste and the Ministry is suspicious of people in Britain wanting theirs. But with the shop being located in trendy Covent Garden, tubes of Pasta dhembesh (Albanian toothpaste) at £2 a time are *the very thing* to have in one's bathroom, Liam has to make frequent visits to Tirana and smuggle out boxes of the stuff.

Albanian cigarettes (Compatridors) also sell quite well even if they do crumble at first attempts to fix them into gaily painted, if a little unwieldy, wooden Albanian cigarette holders. While Western journalists are smuggling Kent cigarettes into Romania, in neighbouring Albania businessmen are smuggling Compatridors out.

But Liam cannot remember selling a single copy of *Speaking Albanian*, a useful phrasebook.

The first phrase is "Hello Comrade," which would presumably be really useful if one ever found oneself unexpectedly in Tirana, a place with the dubious recommendation of having the world's highest number of secret police per capita.

The shop is somewhat restricted in its stock, partly because, apart from chrome, Albania really doesn't produce much but also because, according to Liam, a man at the British Foreign Office draws up a list each year of what cannot be brought in. For some reason this year it includes shoes. A box of Albanian slippers was recently impounded by customs who give anything Albanian a very thorough going over.

Britain is the only Western country that has no diplomatic relations with Albania since a dispute in 1946 when two British warships were blown up by a mine in the Corfu channel and 46 sailors killed. The Albanians claimed they had no mines and that the British were there illegally on a spying mission.

The International Court of Justice ruled in 1950 that, although Albania was not guilty of laying the mines, it did have knowledge that they existed and ordered them to pay £1m in reparation.

By this time Britain had launched an invasion of Albania so the Hoxha government refused to pay. Hoxha argued that Britain had withheld half the relevant documents which, even today, – despite the 30 year ruling – have not been released. Hence a rather strange advert in the giftshop window for naval papers from 1946-9 which Albanians believe will show the British ships to have been spying.

At £24 a time, the Hoxha busts are not a best seller

In retaliation, Britain refused to release the Albanian state gold that had been looted, first by the Italians and then the Nazis and which had been put in the trust of the British government after Berlin was liberated by the Allied Forces.

Today it is still gathering dust in the vaults of the Bank of England and is estimated to be worth £40m.

A campaign for the restoration of Diplomatic Relations with Albania petered out when hardly anyone turned up to a much-publicised demonstration outside the Bank of England.

Presumably if the communist regime of President Ramiz Alia became the last to fall in the East European house of cards, talks would be struck up pretty quickly.

But until that time, the shop continues to be regarded with a mixture of suspicion and usefulness as the only channel of semi-official Albanian government contact.

This is where the tour manager called in a panic the night before England were due to play Albania in the World Cup as the only place in Britain he could find an Albanian flag to put on the pitch. David Smiley once passed over Gracie and bought six volumes of the celebrated Hoxha.

In between sagging shelves of opera records this is where visas are negotiated, where Australian women who have fallen in love with their guide during a package tour of Albania seek assistance to rescue their amour. Liam's strangest request to date was from an expert in Gulliver's Travels requiring a copy of the book in Albanian.

On my first visit, as I battled through the Gracie paraphernalia, the His Masters Voice dog and gramaphone, the red Hoxha tomes and marble busts and the incongruous red, white and blue record sleeve of How To Be An American, Liam was muttering into the receiver about Yugoslav news reports on unrest in Albania.

"We get a lot of spies in here," he said later, to explain his muffled tones. "The Serbs abuse us and say that Albanians rape their women, the Kosovans think we're Serbian agents and sometimes hysterical Croatian women even threaten to firebomb the shop."

Most people just come in to buy records, Albanian three part cigarette holders not really having caught on. Ironically, *many of the world's* rarest records are in fact in Tirana, the capital of a country which has no record industry and where records are unavailable and thought passé. Albanian music is only available on CD and has yet to hit the charts.

The Alia government argue they are circumventing the period capitalist countries went through and moving straight to CDs and videos, possessed by most high ranking party members.

This did not prevent the unstoppable Martin shipping over 40,000 of his most valuable records to set up a national Sound Archive which has received the rare honour of a visit from Mrs Hoxha, the widow of Enva. As head of the party ideological wing she is thought to be the main block to reform and even today an Albanian's promotion prospects depend heavily on eulogising Hoxha's forty years of tyranny. This gives Hoxha busts a guaranteed market among the three million population of the only country still to hold out against the tide of revolution sweeping Eastern Europe.

While the average Londoner's view of Albania is limited to visits to the Albanian Gift Shop Limited, of all Eastern European countries Albania *has always had* the closest window on the west, obtaining Italian, Greek and Yugoslav TV nightly.

Sometimes this leads to ironic situations. Albanian cinema, which produces just 12 films a year, showed *its first* screen kiss last year, amid great outrage, although for years people had been watching Italian porn movies almost every night.

Liam admits he is ready to move the Hoxha busts at a moment's notice, although he doesn't know what he'd replace them with.

"Being an Albanian is pretty boring really," he shrugs.

GARDENING/MOTORING

Carpets of contrast: the perfect borders

***Robin Lane Fox** prepares for spring planting*

THE GALES cost me only two panes of glass in the greenhouse but they were never going to stop my immediate task of finalising three new borders, which exist in outline and need to be planted next month. Flower borders are more likely to be damaged by their owner's mistakes than high winds. I am sure I have made most of these mistakes; and if I go through some ground rules, it is with the ultimate rule in mind: nobody gets a border right first time.

A basic rule to remember is that a border should emphasise width, not length. In towns, there is often not much choice: beds have to be narrow and must be planted cleverly. On a blank site, however, we all begin by making beds too narrow. An old rule of thumb is that a border should be twice the width of the height of its tallest groups of plants — four yards, therefore, if you are thinking of a serious back row filled with the new white mallows, perhaps, or plume poppies, or some stylish globe artichokes with buds that can be picked and eaten before the plants become an untidy mess.

Mixed borders, which include shrubs, should usually be even more generous. Width allows subtle variations of height: it gives the border a proper foreground and allows you to cope with everyone's problem, the front row. Beside paths, front rows are quite easy: sun roses or low-growing gypsophila will spill forwards beyond the border's edge. The trouble is that we transfer the idea of this informality to borders which run into grass: border plants cannot spill on to the lawn, the lawn grasses must run back into the border.

First-timers forget that they cannot plant right up to the edge of such a border; the best things grow furiously forwards and need to go 2 ft or more behind the edge. Width, here, must allow for them. Narrow borders also look pinched if viewed head-on. Here, most town gardens have an advantage. A long, thin plot forces you to look down the flower beds, not straight into them, so the main view is not a full frontal. Make the most of them by bringing some transparent height up to the near end of the border.

Transparent height comes from a sparsely-branched plant which is tall without blocking the view. In these mild winters, the violet-mauve verbena Bonariensis is admirable for the job. Fennel seeds itself too freely but some of the salvias are excellent as are Japanese anemones, especially in semi-shade.

Transparent height breaks the sight line without blocking it. Beyond it, try to exploit a

thin garden's length by planting only a few tall plants at wide intervals and then interplanting with much lower-growing companions.

Long, thin borders are a flop in every sense if they are packed with well-meant phloxes, anchusas and tall campanulas. All of them lean forwards and make a nonsense of a narrow strip. Limit yourself to a few focal plants and remember that they are tall in different ways.

Some of them throw up tall spikes of flower from a presentable lower clump of leaves (acanthus, for example), whereas others are tall up right up to the tips from which, eventually, they eventually. The former are preferable: in between, you can contrive a sense of space in the foreground by planting much lower plants: pinks or violas or the admirable London Pride.

Among these lower plants, you then bury some spring bulbs; later, the contrast of tall flowers and low carpets make up for a long, thin bed's lack of width.

Usually there is a wall or fencing panel behind on which you can grow a climber (not a wall shrub) as a flowering backcloth. It, too, contrasts well with the lower underplanting.

In bigger gardens, you will be seeing the beds head-on and will face different problems. Strong colours in the front row will detain the eye and prevent it from ranging backwards into the bed's full depth: keep the strong reds for the middle to back rows. Try, too, to plant in narrow drifts, not in the big circular clumps which many instant border designs suggest.

That old master, Gertrude Jekyll, always used elongated drifts in her border plans because she realised that clumps show-up more strongly when they have gone out of flower: drifts are thinner and the eye will leap beyond them to whatever looks in season behind or beside them. Essentially, she was right: a clump or two can run back into the depths and cut across a drift but, contrary to so much modern practice, a clump is not the best basic unit.

Last, you have to decide whether to go mixed or limit yourself to herbaceous border plants only? Mixed society is certainly preferable. In bigger beds, it allows you to give a wide border some back-bone and to hold a long composition together by repeating a type of shrub and giving the design a sense of identity. My advice is to choose only one or two types of shrub, space them well and stay with them.

Pick something which is not too tall or leafy: the admirable indigofera for a sunny border or the popular grey-leaved rose Glauca (formerly called rubrifolia). I chose the arching white deutzia Setchuenensis.

Back your judgment; remember the value of upright rosemary in the front line and try not to chop and change between too many varieties of shrub. A mixed border is not a mixed bag. It must not distract what you are aiming to outwit, the fickle human eye.

These rules are rather general but I believe in them. In this week of shattered beech trees, ruined boundaries and overturned woodland, there is something safe and reassuring about a good flower border. We are not lowering our sights if we also think carefully about the garden's lower levels.

The good practice that became unmentionable

Arthur Hellyer on the dangers and benefits of wood ash in the garden

A LETTER from a reader asking about the possible value of wood ashes in the garden reminded me how completely these have gone out of fashion with gardeners. What was once a routine part of good garden practice has become almost unmentionable.

It is no longer acceptable to light bonfires in urban areas, and even country dwellers like me are liable to be accused of polluting the atmosphere and destroying the environment if we burn our woody refuse in the traditional manner. Yet, this is still the cheapest way of getting rid of it, the surest way of destroying any pests and diseases it might be carrying, and a useful way of enriching the soil with potassium, one of the elements essential to the life of green plants.

But there are dangers as well as benefits to be considered, and it occurs to me that what I have told my correspondent might be of interest to other readers.

Wood ashes contain various chemicals, including phosphates, iron, magnesium and manganese, all of which are required by plants. Potassium carbonate and lime are likely to occur in greatest quantity. Since both are alkaline, wood ashes will tend to make soil more alkaline (or less acid, whichever side of the neutral divide it happens to be on), which might be good or bad according to what you are trying to grow.

Increased alkalinity is undesirable if you are trying to grow plants that require an acid soil, such as rhododendrons, azaleas, camellias and some heathers and lilies, particularly if the soil is already edging in the wrong direction. But it would be foolish to jump to the conclusion that no wood ashes must ever be scattered where such plants are growing. Gardening is nothing like as simple as that.

If there is doubt, it would be wise to make an occasional check of the pH of the soil. Simple test kits can be bought for this and usually include instructions which enable the user to interpret the readings in practical terms.

Most plants have a wide tolerance to both acidity and alkalinity and many actually prefer the latter. For most gardens, it is only excessive use of wood ashes, continued over many years, that could end in really serious problems. I have seen that happen even in gardens managed by well-trained people. They just did not know about the dangers.

So, what is a reasonable use of wood ashes? It would be easy to dodge this question by pointing out that their potash content can vary enormously from sample to sample, not only according to what was burnt but also to the way in which the ashes have been stored. Potassium carbonate is soluble readily. Leave wood ashes lying about outside for a few winter months and much of the potash is likely to have been washed out of them. Store them in a dry shed and they will retain their value for years.

But there is also the question of what was burnt. Most people are surprised to learn that herbaceous material gives more potash than a corresponding weight of mature wood. One authority claims that the ash from young fronds of bracken can contain as much as 50 per cent potassium carbonate, and that the worst samples from wood or sawdust could be as low as 4 per cent.

Yet, you cannot be testing and checking everything. You must follow some rule of thumb, a middle course that is likely to even itself out over the years. I would suggest an annual application of six ounces per square metre as reasonable unless you know the soil is already too alkaline. In that case, I would keep off wood ashes altogether.

Potassium is essential for all green plants at all times but is in greatest demand when they are producing fruits and seeds. Tomatoes respond very obviously to it as they begin to ripen. But be careful of overdoing the supply to the extent that growth is checked by this over-concentration on ripening — unless the plants are already near the end of the season and no more growth is required.

Potassium can also assist in the ripening of woody stems and, as a consequence, can make plants more resistant to frost, whereas excess nitrates would have precisely the opposite effect. Animal manures can be fairly rich in nitrates and, before fertilisers became available freely, gardeners used to rely on wood ashes to check this excessive growth, aided by bone meal to supply extra phosphates.

Organic gardeners would almost certainly prefer this treatment to the use of manufactured fertilisers although, in a sense, wood ashes are "manufactured" since they result from deliberate burning and the potassium carbonate they contain is certainly not organic.

For urban and suburban gardeners and all those who, for one reason or another, disapprove of bonfires, the engineers have come to the rescue with increasingly ingenious garden refuse shredders which pulverise a wide range of materials. I am told that they are selling in ever-increasing numbers and I can see why, since they grind-up all the small prunings (although not the very thick ones) into easily-disposable fragments.

Most experts advise composting the fragments with plenty of softer green refuse to make them decay more rapidly. There is certainly no objection to this, but it involves more time and labour and I wonder if it really is worth-while.

The rapid growth in the use of shredded bark — a material that, not so long ago, would have been regarded as wholly undesirable in the garden — has surely proved that shredded garden waste, including hard wood, can be used most profitably as a surface mulch to protect the soil, keep it warm and moist, and enrich it slowly.

At Wisley, the Royal Horticultural Society's gardeners are experimenting with deep mulches of shredded bark to protect the roots and underground growth buds of many plants considered usually as too tender to be safe outdoors in Britain's winters, except in specially-favourable localities. It is far too early to report positively on the results of this experiment — which can be seen on the south side of Battleston Hill, where the land slopes steeply down to the trial grounds — but the idea does make a lot of sense.

The 9000 Carlsson . . . Porsche and Mercedes offer more performance but they can't match the Saab for space

Last of the classic Saabs?

***Stuart Marshall** on what could be the swan-song for a Swedish saga*

IN YEARS to come, the 9000 model could go down in history as the last of the classic Saabs. Last year, the General Motors Corporation took control of Saab's car division. When the time comes to replace the 9000, probably in the mid-1990s, GM's influence will be felt.

Where? Well, Saab has never made a car with more than four cylinders. Indeed, its earliest products had two-stroke engines with two and then three cylinders, always with front-wheel drive.

As Saab, like most small-volume producers, sees a move up-market as both desirable and inevitable, it is a fair bet that the 9000's eventual replacement will have a GM V6 or even V8 under the bonnet — plus, perhaps, active suspension and some of the other electronic marvels GM has up its sleeve.

All that is for the future, though. At the moment, Saab's biggest and grandest cars, the CD range, have four-cylinder engines. For those who like to be individual, not conformist, and who enjoy getting the best out of their vehicle, they are none the worse for it.

I lived with two 9000s for a fortnight - first, a CDi 2.3, and then a CD Carlsson. The CDi's recommended price of £16,745 includes an exhaust catalyser, power steering, electric windows and door mirrors but you pay extra if you want a sunroof, metallic paint or in-car entertainment.

Although, in the early stages, the 9000 was developed jointly with the Fiat Croma, Lancia Thema and Alfa Romeo 164, and uses the same floor pan, it looks, feels and goes like a proper Saab.

Its newly-designed engine has 16 valves and twin balancing shafts. These allow it to deliver its 150 horsepower so silkily that you could take it for a six unless you allow it to labour at low revolutions. If you had the optional automatic transmission (£835 extra), which would be my choice, that couldn't happen.

Not that the manual car needs a lot of gear changing. The torque curve is almost flat between 2,000 rpm and 3,800 rpm, which means it pulls smoothly and hard throughout the speed range you use on the open road. (In fifth gear, 2,000 to 3,800 rpm equals 46-87 mph/74-140 kmh).

Through-the-gears acceleration is adequately lively rather than kick-in-the-back. More importantly, perhaps, the 9000 goes from 37-62 mph (60-100 kmh) in fourth in less than 10 seconds.

Keep below 4,000 rpm and the Saab is a quiet, relaxed motorway cruiser. I heard little wind noise — a sign of careful assembly as well as good aerodynamic design — and road rumble was subdued. This was due in part to the soft-riding, medium/low-profile Michelin MXV2 tyres. They give away just a little handling at the ragged edge of adhesion but run more quietly and comfortably than fatter, sportier tyres.

The 9000 is a big car internally, with plenty of room for five people, but it isn't bulky overall and has an enormous boot. Sitting up properly behind the wheel, my head was nowhere near the roof. The driving position is excellent and you stay comfortable on a long journey.

In a genuflection to British tastes, the plain, easy-to-read instruments are surrounded with walnut veneer. And as you would expect of a Swedish car, the heating/ventilation system is most efficient. I had no need of a scraper on frosty mornings. With the engine left idling and heater on full blast, the windows were clear in a couple of minutes after a cold start.

Fuel consumption is in the 23-28 mpg (12.3-10 l/100 kms) range. On a briskly-driven 300-mile motorway trip, I saw 27 mpg (10.5 l/100 kms).

While the CDi 2.3 has all the performance most business motorists need (or can handle), some want a big car to have more "go" and will pay extra for it. For them, Saab offers the £25,995 CD Carlsson. It is named after Erik Carlsson, who rallied Saabs to international fame when few outside Sweden had ever heard of the make. Now 60, he still drives like an artist and is a hard man to keep in sight, let alone stay near, on a test circuit.

The Carlsson is his idea of a road-going Saab. Instead of a 2.3-litre, naturally-aspirated engine, it has a turbo-charged two-litre putting out 185 horsepower at 5,600 rpm. Gearing is a shade lower, the suspension firmer and the tyres (Pirelli P700 on my test car) fatter and squatter. It has side skirts and a boot lid spoiler.

The turbo-charger provides useful boost from about 2,500 rpm (say, 50 mph/80 kmh in top) upwards and gives forceful acceleration through the gears. The engine spins willingly up to 6,000 rpm. It's tempting to let it do that, but it also pulls vigorously at half that speed.

I enjoyed the Carlsson's sparkling performance and still saw nearly 26 mpg (10.9 l/100 kms). Enthusiastic use of high revolutions in the lower gears will give a mpg figure in the low 20s (say, 13.5 l/100 kms).

The fat 50-series Pirellis had less effect on the ride that I had expected — on smooth roads, at any rate. They made the Carlsson sit lower on the ground, steer more responsively and corner fast with even greater security. On the down-side, like all very wide tyres, they made it wander slightly now and again as they reacted to less-than-perfect surfaces.

Adding a catalyser, automatic climate control and a CD player puts the CD Carlsson's on-the-road price up to £28,000. If that seems a lot for a four-cylinder car, remember that you can pay much more for a Porsche 944 or Mercedes-Benz 190 2.5-16. True, they have even more performance — but they can't match the Saab for space.

For the driver in danger

CARDBOARD rear window signs saying "Help — call police" are fine if you break down and don't, for whatever reason, wish to leave the car to get assistance. But a new electronic device brings aid to a driver in danger outside his — or, especially, her — car.

The Bodyguard Personal Attack Alarm is for people like estate agents, social workers, doctors or nurses who make frequent calls in their cars. You write the address of the place at which you are calling on an illuminated panel on a white box with flashing blue and red lights on top. This you leave in a conspicuous place, like the fascia or parcel shelf, and take a pocket-size transmitter with you.

To get help, you press a button on the transmitter. This makes the box in the car flash its lights and sound a siren. The idea is that a passer-by will call the police.

Bodyguard, which costs £425 plus VAT, can also be used to get help at the roadside. The makers reckon any police patrol would want to see why a parked car was flashing red and blue lights. Details from Blue Chip Systems Group, Lufton, Yeovil, Somerset BA22 8RS (tel. 0935-22323).

For less than one-10th of the Bodyguard's price, Flatmate copes with deflated tyres and small car fires. It is a cylinder of highly-compressed CO2 gas with two attachments — one a tyre valve connector with pressure gauge, the other a blower nozzle.

Kept inside the car with the blower nozzle fitted, it works like any other extinguisher, snuffing out small electrical or petrol fires quickly. Fit the other attachment and, in seconds, it will blow up five or six normal-size car tyres that have gone flat (or, of course, the same one five or six times if it is losing pressure quite quickly but you don't want to change the wheel).

Flatmate is stocked by all ATS tyre service outlets (see Yellow Pages) and costs £34, plus VAT. A larger size is £37, plus VAT, and either can be re-charged by ATS for £2.50. I can't think of a more useful motoring accessory.

■ Jet-lagged, I pressed the wrong calculator button and maligned the Lincoln Town Car in my report from Detroit recently. Its 24 mpg (US) equals a remarkable 28.8 mpg (Imperial), not 20.

S. M.

Outdoors

Prickly — but not by nature

WHEN ADRIAN Coles was an officer in the Parachute Regiment, he got used to being dumped in remote places with orders to survive on nature's bounty. But despite the legendary succulence of broiled hedgehog, he never ate one — which is just as well, considering that he is the inspiration behind the British Hedgehog Preservation Society.

It is probably the Tiggywinkle factor that gives the society's name its slightly comic appeal, and Coles is resigned to the illogical attitude of people who become terribly earnest about otters or badgers but fail to take hedgehogs seriously. He has taken them very seriously indeed ever since he found one trapped in a cattle grid at his Shropshire home in 1982. After rescuing it (with some difficulty), he conceived the idea of an escape ramp.

Despite a certain amount of media hilarity, and with the help of some shrewd publicity — including a demonstration on television's Blue Peter programme — he managed to persuade all the major countryside organisations that ramps should be added to all grids, new and old.

What astonished him was the public response to this simple idea. Letters poured in, many containing money for hedgehog welfare, and the general assumption that a pressure group existed forced him to start one. He admits freely that he had no special interest in hedgehogs at the time. Now, they have taken over his life.

It could not, as they say, have happened to a better man. A cheerful extrovert of forceful and persuasive speech, he now heads an organisation with 8,000 members worldwide. And they are not, he is careful to point out, just "middle-class do-gooders." In Britain, they range from peers to pensioners — and, yes, they include the niece of Beatrix Potter.

As he discusses the behaviour of hedgehogs, you begin to realise that the creature does need protecting. Totally inoffensive, it seems destined to collide with the works of man at every step, trapping itself in cattle grids, nestling in unlit bonfires, falling into garden ponds and rolling itself confidently into a ball as the juggernauts approach.

Because this capacity for getting into trouble seems to appeal to children, a considerable part of the society's resources goes into educational material — and not all about hedgehogs, because Coles sees this friendly animal as the ideal introduction to the study of natural history in schools. But he cautions: "Hedgehogs should never be kept as pets, although there's no great harm in putting out food for them. Not bread and milk, though — that's like feeding a child on chocolate and jelly. They need meat, and tinned cat food is as good as anything."

Homely advice of this kind pours from the society's headquarters, helping to foster an image of "endearing British eccentricity." But other activities are under-publicised: for example, the quiet but persistent parliamentary lobbying for new laws against cruelty to give more protection to semi-wild creatures.

The saucer-of-milk myth dies hard because of a lack of readily available scientific information. The society is trying to remedy this by financing post-graduate research into hedgehog behaviour under the direction of Dr Pat Morris of London University, the country's leading expert.

One practical result has been a technical guide for vets, who are called-upon often to cope with sick and injured hedgehogs picked up from the wayside by well-meaning passers-by.

Oddly enough, the reputation of the society as a fount of scientific knowledge seems to be better-perceived abroad than at home. Coles advises many of the world's zoos and, recently, helped to establish the first family of hedgehogs in Canada.

He has no hesitation in proclaiming his home as the "Hub of the Hedgehog World." And the money? That comes from the modest membership subscription and the unashamed sale of T-shirts and other "hedgehog goodies." But there is never enough, which is why I was surprised to be given an expensive tie at the end of my visit. It is, of course, emblazoned with hedgehogs, and proves an immediate talking point whenever I wear it. The major knows a thing or two about publicity.

□ *The British Hedgehog Preservation Society, Knowbury House, Ludlow, Shropshire SY8 3LQ.*

Lawrence Farmer

The quest for a useful label

Too many wine labels say nothing, thinks ***Jancis Robinson***

ALTHOUGH MOST of us wine writers tend to dwell on the contents of bottles, what is *on* the bottle is probably more important to many consumers. No one who has spent even a minute watching people pick bottles off a shelf can doubt the power of the label.

One of the prime difficulties for any wine drinker encountering a new bottle is to work out which of the dozen or so unfamiliar proper names on the label is the name of the wine, which the name of the producer and which are the words that give most clues about the wine's birthplace.

After many years' study I reckon I can locate most of the French appellations and VDQS wines (although the legion of Vins de Pays seem a pretty unruly rabble to me). Many is the label of Italian vino da tavola I have pored over, however, hoping for a more familiar geographical clue than the name of its native village.

I often have to wait until the cork has been pulled so that I can read the two-letter code that tallies with local number plates.

Two important pieces of information in the jigsaw of any wine's identity should be spelt out on every wine label, usually along the bottom: its alcohol content (anything under 11 per cent is low, over 12.5 per cent is high for a table wine) and where it was bottled. Experience has taught me to be wary of wines imported into Britain in bulk – with the notable exception of some great pre-1960s clarets and vintage ports. As a general though not invariable rule, the nearer to the vineyard a wine was bottled, the cleaner, fresher and more direct its flavours.

But labels, especially back labels, are now trying to do much more than communicate a name and address. Presumably spurred on by the huge proportion of wine bottles sold straight off a self-service shelf, many wine bottlers clearly see the label as having taken over the job of sales assistant.

I am all for this. Whether a bottle is plucked off a shelf or ordered from a wine list sight unseen, the buyer is quite likely nowadays to be knowledgeably curious and to welcome as much information as possible about what he or she has bought.

Infuriatingly, however, many bottlers blithely ignore the increasing sophistication of their customers and fill their back labels with a swathe of words that tell them precisely nothing.

You've come across these wine "descriptions," I'm sure. They take up about 15 lines of text assuring you that the wine in the bottle has been produced from only the "very finest" (but unspecified) grape varieties, grown in "ideally situated vineyards" that are often "within sight of" some snowy/rugged/spectacular mountain range that you might have heard of – or, if the vineyard is obviously miles from any other landmark, then perhaps "cooled by sea breezes" from some nearby marine mass.

This is if the wine comes from somewhere known for its warmth. English or German wine producers are more likely, on the other hand, to boast of their warm, sun-kissed microclimate (spurious science is a favourite on back labels).

Producers will then probably go on to boast that their grapes were picked "at the peak of ripeness" (well, they would hardly admit that they got back from holiday to find the birds at the raisins, would they?) and "in optimum conditions." These perfect if mysterious grapes are usually then fermented "with maximum care," prior to spending "long months" (presumably only those with 31 days in them) in "top quality oak casks," before being bottled at another optimum stage in their evolution.

There's usually a new paragraph here and the spiel continues with a description of the wine together with serving "suggestions." Strange how many white wines are "crisp, with a fresh varietal aroma," and how many reds are designed to be drunk "with most meat dishes and cheeses."

I have been studying back labels or their equivalents (*many bottlers believe this sort* of guff is so important that they have moved it on to the front label) closely for some time now and have to report a wide variety of success rates in reporting genuinely useful information. Torres of Spain has told the whole truth and, so far as I know, nothing but for years now. Their back labels are a model for answering any question an intelligent wine drinker could think of: grape varieties, vintage conditions, winemaking details, bottling date and an outline of wine style and likely development.

Hardy's Australian wines and, among supermarkets, Safeway and, increasingly, Tesco are following in Torres' footsteps, often in usefully graphic form. Sainsbury's have long been exceptional in telling their customers how long their wines will last.

Ridge Vineyards of California were notable pioneers of the California let-it-all-hang-out school of labelling and today still offer a good 200 closely printed words that are, usefully, dated. Since this is elucidation rather than hype, I'm all for it.

My studies reveal that if the hapless individual in the marketing department who has been saddled with devising copy for back labels isn't sure which grape variety a wine is made from, then it will simply and invariably be described as "traditional." "A blend of traditional varieties" means he hasn't a clue. If the wine is sweetish and white it will be "fruity"; if sweetish and red, then it is "mellow." "Smooth" is a tricky one. It doesn't really mean anything, except probably that he has read up all the consumer research which tells us that this mysterious attribute is the one most sought after by new wine drinkers.

And, talking of marketing, my favourite back label of all is that behind the heavily promoted Gallo Cabernet Sauvignon 1982 from California. Those Gallo brothers, Ernest and Julio, tell us that it was in October, 1982, that they went out and picked the grapes, and that "Oak Aging (Slavonian)" was *extended for an extraordinarily* long 46 months – more than twice as long as a typical Bordeaux stint in oak, which, I'm afraid, suggests to me that demand was so slow they just *had* to ship it across the Atlantic to us.

They also tell us the wine's pH is 3.45 – a fact that I'm sure many wine buyers find comforting – and that the wine's "total acidity" is 0.66, which means next to nothing unless accompanied by some unit of measurement.

But I've saved the best bit to the end. The text accompanying all this labspeak reveals that instead of just bottling the *wine and then storing it until* they had an order to fulfil, like most of the world's wine producers, that kind Ernest and Julio Gallo "patiently bottle-aged it on the cork" for us. Aaaah.

Compare this with the information on a smart grey-and-pink card I found with some burgundy ordered recently from the excitingly revitalised Domaine de l'Arlot on which was written: "Dear Client, This wine has just travelled and should rest several months. In an effort to assure maximum quality we do not filter our wines. That is why there is often some deposit in the bottle. *We recommend* that you stand the bottle up right three hours before the meal, and decant it at the moment of serving." Now, that's what I call useful.

I SUSPECT no FT reader would dream of picking off the shelf *Zagarron, La Mancha 1988* Spanish *white, £2.49 at Safeway*. The lurid, lime-green label boasts no fewer than 14 different but undistinguished typestyles and the appellation "Vino Blanco Joven" is not one with a high profile in this country. Perhaps it should be, on the basis of this particular young Spanish white which exudes lemony fruit that is far cleaner and crisper than is usual at this price. An excellent house white on which Safeway's own back label is, as usual, a model of good, informative design.

Cookery

Bunteresque dreams of gale-proof feasts

NOTHING beats gales and power cuts for keening the appetite. On our fourth day without electricity at the start of this week, I realised that all my thoughts (and most of my storm-bound hours) were directed at preparing meals or eating them.

Even while chopping logs from fallen trees, gathering up the shards of broken roof slates or dragging the remnants of fences out of harm's way, I was talking about food and planning menus, and at night I had Billy Bunter dreams.

This was raw, basic greed: food as fuel to keep me going, not refined gourmet yearnings.

Our wind-lashed faces grew coarse and red as we toasted bread on sticks in front of the fire to accompany boy-scout panfuls of baked beans and fried eggs. Meanwhile, the top of the Tortoise wood-burning stove proved a godsend for heating soups, warming dinner plates and foil-wrapped loaves, and toasting nuts for dukka.

The biggest life-saver has been the little butane gas camping stove which I bought a few years ago. It has done valiant service, boiling gallons of water for the cuppas and hot water bottles without which life would have been hell.

It has helped to conjure-up reviving soups, enough tagliatelle to feed a small army, and generous bowls of carbonara.

I have fried apples in butter over my trusty little stove and *flambéed* bananas with rum. I have poached fish and sautéed chicken joints. I have steam-fried red cabbage and stir-fried leeks and other fresh vegetables we had in the house.

Having thus graduated from the basic cuppa, and the winds having abated enough for me to reach the shops, I was planning to cook a spicy quail couscous in the Moroccan manner, perhaps even an ambitious Chinese meal with the foods packed in pagoda-like tiers of steamer baskets over *the single source of heat* . . .

But then the electricity was re-connected.

So, I roasted the leg of lamb which had been waiting to be cooked *since* the previous Thursday and made the pudding I had thought out and dreamt about all the while.

I expect I could have made it on my faithful little camping gas stove, but the long cooking time would have used up a great deal of precious fuel.

STICKY GINGERBREAD PUDDING
(serves 6)

If time permits, make this pudding a day ahead and re-heat it for serving. That way, it will be a little darker, *richer and more aromatic* – as I discovered when re-heating the left-overs.

For added protection against foul weather, drink with the pudding (or pour over it) a generous tot of warmed ginger wine.

As a final, delicious touch, hand round a jug of proper egg-and-cream custard sauce scented with vanilla or cinnamon so that everyone can help themselves.

Ingredients: Black treacle and golden syrup; five oz butter; six oz self-raising flour; two to three teaspoons ground ginger; one teaspoon ground *cinnamon; half teaspoon* ground allspice; three large eggs; 1½ tablespoons ginger wine or milk; four oz stem ginger.

Method: Stand the tins of treacle and syrup in a pan of hot water for about 10 minutes; this makes the contents runny so they are easier to measure.

Use half an ounce of the butter to grease a pudding basin of 2½–3 pt capacity and also a circle of greaseproof paper large enough to cover the pudding.

Dice the remaining 4½ oz of butter, put it into a warmed mixing bowl and beat until creamy and light.

Add three level tablespoons of golden syrup and four of black treacle and beat again until well-blended with the butter.

Beat-in the eggs one at a time.

Sift the *flour* with the ground spices and work them into the pudding mixture.

Stir-in the ginger wine or milk and, finally, mix-in the finely-chopped stem ginger thoroughly.

Measure three tablespoons each of black treacle and golden syrup into the buttered pudding basin and pour the pudding mixture *gently on top*.

Cover the basin with the buttered paper and then with a sheet of foil, and secure this "lid" firmly under the basin rim with string.

Steam for two hours, topping-up the pan with extra boiling water if necessary.

If the pudding is to be served as soon as cooked, run a palette knife round the inside of the basin to loosen the pudding and turn it out onto a hot plate.

Alternatively, let the pudding cool in its basin, still wrapped, and store it in a cold larder overnight.

Re-heat it for serving next day by boiling for one hour, then unveil and unmould it as described – and tuck in.

Phillipa Davenport

Collecting

The graveyard charms of Parian

Janet Marsh on a ceramic which is never quite in fashion

VICTORIAN PARIAN is a ceramic collectable which never quite comes back into fashion. It has its enthusiasts; and from time to time a notable effort such as Richard Dennis's monumental 1984 exhibition at Chelsea Town Hall sparks interest; but neither enthusiasm nor prices ever escalate to the level of, say, Minton, Majorica or De Morgan ware.

Yet Parian represents one of the highest accomplishments *of 19th century Staffordshire* ceramic technology.

Perhaps its very refinement militates against it in an age which prefers the robust primitivism of cottage pottery. It is true there is a graveyard look about this white, scaled-down statuary, better suited to Osborne House or the Sculpture Court of the Crystal Palace than to modern homes.

Still, we miss something in neglecting Parian.

The essays in The Parian Phenomenon (£40), edited by Paul Atterbury and published by the indefatigable Richard Dennis as a belated accompaniment to his 1984 exhibition, reveal the significance of Parian in early Victorian England.

Parian was an improvement on "biscuit" ware – white, unglazed porcelain which originated in France and was produced by the Derby factory from the 1770s.

With its chalky, porous body, biscuit was difficult to produce without distortion and discoloration in the firing; and in subsequent use was subject to staining.

The new ware overcame these disadvantages. The introduction of Felspar, newly imported from Sweden, permitted higher vitrification of the ware at lower firing temperatures. The raw material, composed from a mix of Felspar with Cornish clay and Cornish stone was cast, in a liquid or "slip" state in plaster of Paris moulds.

Elaborate figures and groups were made from numerous moulds, the separate parts being skilfully "mended" together before firing.

Minton and Copeland later *disputed the invention of* Parian, but it is certain that both firms had their first products on the market early in 1846. The ware – also known as *statuary porcelain* or, at Wedgwood, Carrara – with its dense, silky, creamy-white surface, was almost indistinguishable *in appearance from white* marble: the name was derived from Paros, the island source of the finest Greek marble.

Parian suited Victorian enthusiasm for education and popularisation. Just as steel engraving made great paintings accessible, if not to the masses at least to the burgeoning new bourgeoisie, so Parian made it possible for every moderately prosperous home to have great sculptural works in miniature.

Opportunely, Benjamin Cheverton had invented a "reducing machine" for sculpture, patented in 1844, just before the appearance of Parian.

Cheverton's machine was a cross between a pantograph *and a dentist's drill*. As a pointer was moved over the contours of a piece of sculpture, a drill exactly copied the shape, in reduction, on a block of clay.

Minton and Copeland enthusiastically embarked on production of reduced copies in Parian of the popular works of the great masters, classical and modern. In time they commissioned new designs from major sculptors.

The judges at the Great Exhibition of 1851 were enthusiastic: "If well employed it may contribute to improve the public taste. It has already led *to the great multiplication* of copies of both antique and modern groups and statues, as well as to *new designs* of a similar kind."

Venus, after Clodion. Minton 1862

While improving public taste, it also undoubtedly offered licensed erotica for the *middle classes*, under the guise of art. The 1850s congratulated itselves that they had overcome the prudery of the previous generation, which had not tolerated the unclad human form; and Parian production abounded in beautiful maidens *with very little to conceal their* charms.

Such educational pleasures came dear: the cost of Parian could range from three to six and more guineas, at a time when most people in Britain considered themselves lucky to earn £50 a year.

The marketing of Parian owed much to another curious cultural-commercial phenomenon of early Victorian England, the Art Unions, the story of which is told by Roger Smith in *The Parian Phenomenon*. The Art Unions were a kind of artistic lottery. For one guinea a year, subscribers received a handsome print or album, as well as a chance in a draw for a variety of major or minor works of art. Parian providing the ideal consolation prizes; and the makers could thus rely on a guaranteed sale of 50 or 100 copies of a new subject.

The Parian Phenomenon usefully catalogues and illustrates the repertory of the principal manufacturers. In general the Copeland output tends to favour the more sentimental tastes of the Victorian middle class.

Herbert Minton was an educated cosmopolitan and engaged as factory modellers some distinguished French artists, among them the gifted *A.E Carrier-Belleuse*, subsequently one of the most prominent Parisian sculptors of the Second Empire, and Rodin's teacher. Copeland's star was the Italian Raffaele Monti, whose cleverly sculpted veiled ladies are still among the most popular subjects. Along with the statuary went bust portraiture of the celebrities of the mid-Victorian era.

Besides Minton, Copeland, Wedgwood and Worcester, *numerous other Staffordshire* companies entered the Parian market. The prolific enterprise of Robinson and Leadbetter started as late as the 1870s, and their successors continued to introduce new figures well into this century. One of the last was a bust of Winston Churchill, marketed in 1914.

Indeed one of the shocks of this book is how long after its fashion had definitively faded, Parian continued on the market. *At the start of the Second* World War, the major producers could still supply works that had been in production 80 years or more.

The Parian Phenomenon may not succeed in converting a new generation of all-out collectors; but it could well inspire the occasional investment.

Chess

ASK AN average player to name American champions and it is likely he will come up only with Bobby Fischer and Paul Morphy, whose glittering career – with wins over the leading European experts – spanned just two years. Morphy is thought widely to have been the first official US titleholder through his victory at New York 1857; but Edgar McCormick and Andy Soltis, in their informative book *US Chess Champions 1845-1945*, show that Morphy had a little-known predecessor.

He was Charles Stanley of New York, who won the title in 1845 and defended it in 1850. In the latter match, Stanley's challenger was a gentleman farmer from Kentucky named J. H. Turner, who had a fixed belief that he had discovered a winning variation of the King's Gambit.

The match attracted a stake of $1,000, a massive sum for the time. It took 17 games but was completed in only four days; contrast that with the weeks and months of Karpov's epics against Korchnoi and Kasparov at Baguio City and Moscow. The problem for Turner was that his special gambit was refuted the first time he tried it while, in other games, Stanley's superiority was manifest.

White: C. Stanley.
Black: J. H. Turner.
Guicco Piano (match 1850).

1 e4 e5 2 Bc4 Nf6 3 Nc3 Bc5 4 Nf3 d6 5 d3 h6 6 Be3 Bb6 7 Ne2 Be6 8 Bb3 c6 9 Ng3 Nbd7 10 0-0 0-0 11 Qe2 Re8 12 Rad1 Qc7 13 Nh4!

White groups his knights systematically for attack while several Black moves, like h6 and Qc7, were plan-less.

13 ... Nf8 14 N4f5 Ng6 15 Qd2 Bxe3 16 fxe3 Kh7 17 Qf2 Rh8?

Allows a simple combination, but 17 ... Ng8 18 Nh5 also favours White.

18 Nxg7! Ng4 19 Nxe6 fxe6 20 Qf7+ Qxf7 21 Rxf7+ Kg8 22 Bxe6 Re8 23 Re7+ Kf8 24 Rxe8+ Kxe8 25 Bxg4 Resigns.

Following the match, the vanquished Turner went back to farming and lived to a ripe age; Stanley took to the bottle. Several years later he lost a series to the new star, Morphy, who conceded odds of pawn and move and sent the stake to Stanley's wife because "Stanley would have drunk it up."

Turner, despite his lack of success, began a tradition of American chess masters-cum-gentleman farmers which endured for half a century. The best was Preston Ware of Boston, who thought up his favourite defence while gathering in his wheat crop one harvest-time. Ware's patent was 1 e4 a5, and he named it the Meadow Hay Defence. Nobody has played it before or since.

Ware also featured in the first important chess scandal. He claimed that his final-round opponent in the 1880 US championship had bribed him to pre-arrange a draw but then, as Ware was "moving back and forth" mechanically, the rival broke through sneakily for a win. As has happened in some modern allegations of fixed results, there was too little supporting evidence, so the appeals committee opted for a "not proven" verdict. The suspected briber emigrated to Britain and Ware returned to his meadow.

By far the best player among the gentleman chess farmers was Jackson W. Showalter of Kentucky. He won the US title several times and was a formidable opponent even for Pillsbury and Marshall, the leading US professional grandmasters of his era. Bluff and out-going, he was popular widely and the crotchety world champion, Steinitz, paid him a rare compliment: "Showalter is one of the six people in the world from whom I would accept a cigar."

The only gentleman farmer of modern times has been Weaver Adams of Boston who, like his predecessors, had individualistic views about opening strategy. He believed that chess is "White to play and win," the title of his booklet which appeared in a fresh edition each time his various winning systems (Bishops Opening, Vienna) were refuted in turn.

To emphasise his views, Adams lived in a white house and kept white chickens which, it was said, laid white eggs. As US Open champion late in the 1940s, he was invited to the Hastings Premier. I recall his acute disappointment when he found that all his British opponents had access to a copy of his book and were primed for his special variations.

Modern US championships rarely feature such charming eccentricities, but the record for the shortest game was set as recently as 1984:

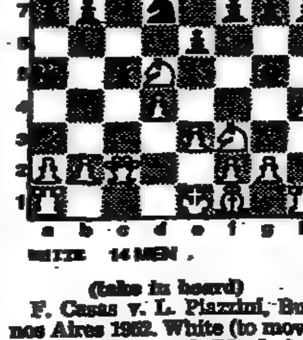
White: K. Shirazi.
Black: J. Petera.
Sicilian Defence.

1 e4 c5 2 b4 cxb4 3 a3 d5 4 exd5 Qxd5 5 axb4?? Qe5+ 6 Resigns.

The loser probably had other things on his mind: not long before, Shirazi had emigrated hurriedly from Iran during the period when chess was banned by the Ayatollah.

PROBLEM No. 808

BLACK 14 MEN



WHITE 14 MEN

(take in board)

F. Casas v. L. Piazzini, Buenos Aires 1952. White (to move) is in check, and Black has planned the continuation 1 Nd2 Bd8 preserving his bishop for long-term advantage. How should the game go?

Solution Page XXI

Leonard Barden

Bridge

BOTH MY hands today come from rubber bridge. Let us start with a contract of three no-trumps and study Keep in Touch:

	N	
	♠ A 5	
	♥ A Q J 8 5	
	♦ 7 4 3	
	♣ 7 6 2	
W		E
♠ J 9 7		♠ Q 8 4 2
♥ 6 3		♥ K 10 9 4
♦ Q 10 6 2		♦ J 9 5
♣ Q 10 5 3		♣ J 9
	S	
	♠ K 10 6 3	
	♥ 7 2	
	♦ A K 8	
	♣ A K 8 4	

South dealt at game-all and opened with one club. North replied with one heart, South re-bid one spade and North said two diamonds – fourth suit forcing – which encouraged the opener to jump to three no-trumps.

West led the two of diamonds. Taking East's knave with the ace, South *led* the two of hearts and finessed the knave, which held. Crossing to the club ace, the declarer led his other heart and finessed the queen.

East took with the king and returned the nine of diamonds. South won with his king, crossed to the ace of spades and cashed the *heart* ace. West showed *out*, and that meant defeat by one trick.

South has six top tricks in aces and king, so he needs only three tricks from hearts and must make quite sure that he gets them. At trick two, he should run the seven of hearts. East wins with the nine and returns the diamond nine.

South lets this hold, wins the next diamond, leads his last heart and finesses the knave. East wins, but the three hearts in dummy are good. South takes the club return in hand, crosses to the spade ace, cashes the hearts and claims. Not to duck one round of hearts was very poor technique.

Now for the same position in defence:

	N	
	♠ K 8	
	♥ A J 9 7	
	♦ A K 9 4	
	♣ 8 7 5	
W		E
♠ 10 9 6 4 3 2		♠ 7 5
♥ 8 3		♥ K Q 10 6 5
♦ Q 8 6		♦ J 7 5 2
♣ K 4		♣ A 2
	S	
	♠ A Q J	
	♥ 4 2	
	♦ 10 3	
	♣ Q J 10 9 6 3	

With North-South game, North (the dealer) bid one heart. South said two clubs, North re-bid two diamonds – two no-trumps is considered correct today – South bid two no-trumps and *North* raised to three. Now, East decided to double, asking West to lead a heart, and all passed.

West duly led the eight of hearts. The nine was played from dummy, East won with the 10 and returned the spade seven. The declarer won with the queen and played his club three. *West took with his king* and led his last heart, which ran to the seven and queen.

That was the end of the defence. East could not continue hearts *with advantage*, so he led another spade. South won, forced out the ace of clubs and collected nine tricks.

East is faced with precisely the *same position as South* in the previous hand. He should allow the heart nine to hold. Now, when West gets in with the king of clubs, he leads his other heart. East wins dummy's seven with the 10 and dislodges the ace with his king.

Later, when he gets in with the ace of clubs, he cashes two hearts to defeat the contract. Yes, it is the same problem, but it seems harder for a defender to see.

E. P. C. Cotter

HOW TO SPEND IT

Here's what's next for George . . .

***Lucia van der Post** meets the man who is making classic clothing available from an out-of-town superstore chain*

George Davies at the Leicestershire HQ of his new venture, the George Davies Partnership, seen here with the first 'George' collection for Asda group stores

Trevor Humphries

IF ANYBODY has been thinking that George Davies, ex-Next, ex-Burton, ex-Pippa Dee and before that ex-dentistry student, has been lying unusually low they are about to be disabused. Next week, in a flurry of publicity and carefully orchestrated peeps and interviews, he is about to unveil his latest venture — a range of clothing for men, women and children in all 196 of Asda group's out-of-town stores.

This is the fruit of his new company, The George Davies Partnership, in which Asda has a 20 per cent stake. Davies and his wife, Liz, own a controlling 51 per cent while the rest of the shares are owned by GDP staff. Davies' name, of course, was inextricably linked with Next, that retailing phenomenon of the Eighties, of which almost everyone has heard and where many of us have shopped. It was Davies who intuitively felt that out in the market-place there was a whole group of shoppers who longed for designer items but only had chain-store incomes; and that between the designer boutiques and Marks & Spencer lay a huge opportunity. And so Next came to pass and, although he and we all had a merry whirl, it ended in a bitter parting of the ways when the Davies's were ousted in a boardroom coup just before Christmas 1988.

Clearly, one of the problems was that Next was a concept that outgrew its natural size. If you are trying to market an exclusive, designer image, it is, by definition, almost impossible to do it convincingly if it is available on every high street. As Davies has never been a man to think small, it is possible that the broader market that Asda offers, may suit him better.

He relishes the chance to reach a wider audience. At Asda the "George" departments will not attempt to offer anything exclusive or even highly fashionable. What he and his team (he is very insistent that it is a team effort, which includes his wife and some 80 others, many of whom followed him from Next) have aimed to do is to provide reassuring, classic clothing at good prices to a much wider audience. He is adamant, though, that they are design-led and that though they are offering classics, they are classics with a 'twist.' Above all, he says: "We're working to a much keener price level than at Next."

He is adamant that he isn't about to do another Next. Apart from anything else times have changed. The High Street, he believes is tired, dirty, run-down. "There's nowhere to park, escalating costs have put prices up. For some time now I've had a gut feeling that out-of-town shopping was the big thing for the future." The lower overheads of the out-of-town stores mean that they can offer much better value than their High Street rivals — "For instance, I can sell a pure wool man's suit for £89.99 that I'd have to charge £120 for on a high street site. I can sell a man's cotton shirt for £13, which would otherwise be £21.99."

He was also attracted to Asda because he saw a huge gap between the quality and sophistication of the food and wine and the clothing. They hardly seemed to be appealing to the same kind of people.

Asda does some £130m-worth of business in clothing and footwear and he felt that if he could inject some zip and style, not just into the clothing but into the way it was presented, sold and packaged then there was no knowing where they might go.

Davies has always been interested in packaging and for Asda he has designed hanging packs which can be hooked to the side of trolleys so that the clothes can be easily carried along with the haddock and the washing-powder.

As to the clothing, it looks as if it is going to be rather more fashionable than Marks & Spencer's current women's ranges, (although how it competes on the men's clothing front will be interesting to see), more up-market than Tesco, and a great place to search for what I call the essentials of the wardrobe. For instance, almost every woman needs a really good, plain, white T-shirt and yet they are difficult to find at reasonable prices — cheap ones never look right and designer label T-shirts at more than £30 seem a nonsense. The 'George' T-shirt, at £6.99, is great value. Good quality cotton, in excellent colours, including white, and a nice flat neckline. I'm pretty sure I shall be in there trying on the cotton jodhpurs and, if I still had small children, I'd be searching out some children's wear.

What we have here are clothes with which to greet the family-orientated 90s, clothes without a hint of the power-dressing, go-getting, Loàdsamoney culture that infected the 80s. Gene are the clothes with which to land the great new job, to win the boardroom battle, to stun the client. What we have with 'George' are clothes with which to play at Happy Families. Here we have grannie, reassuringly lined of face, gnarled of wrist, clutching dewy grandchild, plus father and son and mother doting on her brood. The mood is completely different.

As to the city — it seems its mood is sceptical. It has yet to be seen whether good quality clothing can be sold in out-of-town stores alongside the baked beans. Of course, Tesco, another group with out-of-town stores, sells clothing along with the food, but so far it seems to concentrate more on the easy pick-up items like hosiery, sweaters, ties and shirts, and sees itself less as a serious clothier of the sort that the Asda departments clearly aim to be. George Davies himself sums up the dilemma in his autobiography *What Next?*: "I'm confronted with a public who retain a downmarket image of out-of-town fashion, and I'm going to have to persuade consumers that clothes can be bought out-of-town as successfully as food and consumer durables."

Then there are worries about the costs of refitting the George departments in the stores and when and whether it can all be recouped. But George Davies is a survivor and while he may not be an accountant's dream he is an ace spotter of retailing opportunities.

The success of Next was far more than just luck — it took finely tuned instinct for the moods and tastes of a generation to meet its needs so precisely. Next went wrong for a complicated set of reasons — the most important of which was that it expanded faster than its finances and its managerial skills could cope with — but if George Davies can learn from the past and concentrate on what he does best, tuning into the aspirations and needs of the shopper in the street, then his new enterprise could be one to watch. Certainly, I feel quite sure that a lot of interested parties, from Asda shareholders to retailing pundits, will be finding their way to their stores next week.

If you have never been to an Asda store you may be as surprised and delighted at what you find as I. Admittedly I went to see the newest, brightest flagship — the branch on London's A3 out of Putney — but here is a supermarket that, once you get there, seems to offer everything you've ever hoped for and a lot of things you'd never thought of.

Star items to look for:

- Full-length buff cotton coat, £59.95.
- Well-cut cotton jodhpurs, nicest in sand colour, £22.99.
- T-shirts in good substantial cotton jersey, nice and flat around the neck and in lots of colours, including white, £5.99.
- Men's all-wool suits at £89.99, but sold, à la Marks & Spencer, as separates. Jackets £62, trousers, £27.99.
- Tights in smooth satiny lycra, in good colours and the right texture, £1.65 and £1.75.
- A very well-priced range of underwear, ranging from sportybras to the pretties.
- Excellently priced children's wear.
- A brown safari length jacket, £29.99.
- Hand-stitched leather shoes with properly welted soles at £32.99 a pair.
- 100 per cent cotton men's shirts at £13.99.

TOP RIGHT: Some of the star buys in the 'George' collection for Asda are the basics that every wardrobe needs. Still going strong this summer is the jodhpur-influenced trouser, here in sand-coloured cotton at £22.99.

Worn with it is a classic, round-necked T-shirt in good thick cotton, at £6.99 and an all-leather three-buckle belt in tan at £10.99. The buff coloured, long cotton jacket at £59.95 is a good spring and summer stand-by.

RIGHT: He wears a classic leisure outfit of jeans, polo-shirt and blazer, exemplifying perfectly the 'George' declared goals - to provide good quality basic clothes with classic appeal.

The buttonfly jeans in 100 per cent cotton, are £18.99 and are worn with a black all-leather belt at £12.99, a piqué polo shirt (pink or blue) in 100 per cent cotton, £10.99, and a 100 per cent navy wool double-breasted blazer at £69.99.

Winter warmers for windy weather

THERE ARE some (chiefly those who, like me, are about to set off for the Alps) for whom this winter hasn't been anything like cold enough. But for all those thousands who have spent days on end without heat or light, in the wake of the storms, it has probably been too cold by half. As I speak more wind, rain and what meteorologists like to call "unsettled weather" are predicted, so here, for those who have had enough of cold and damp, are a few chilly weather comforters:

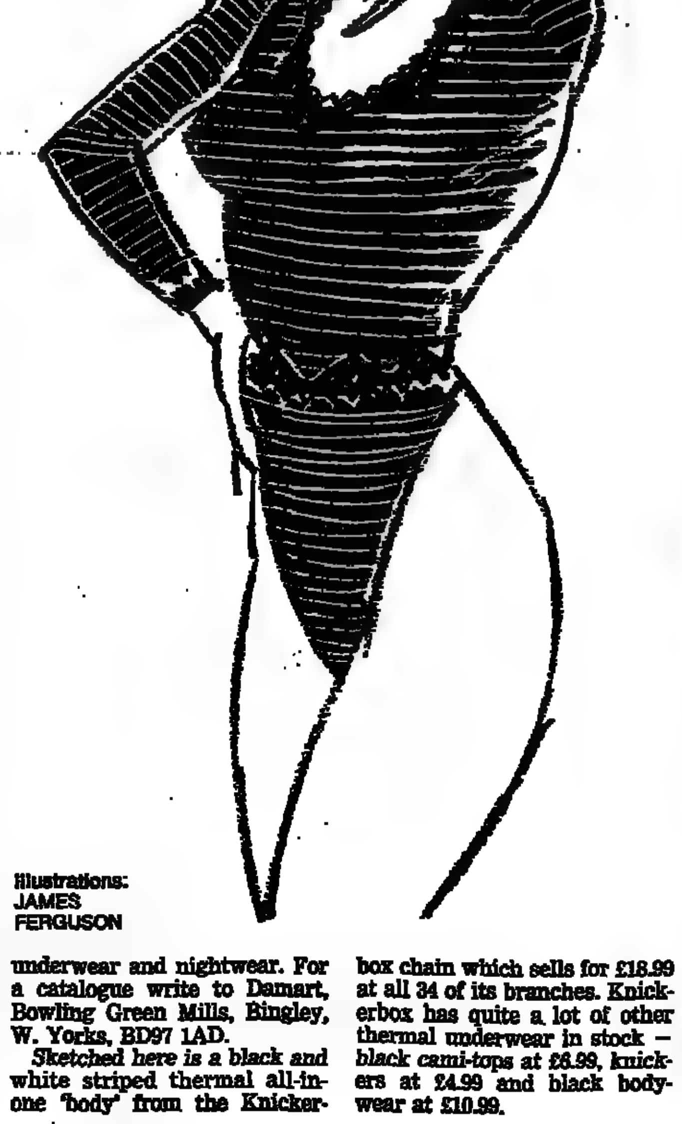
IF YOU'RE looking for thermal underwear to ward off chills and draughts, most of the shops — wouldn't you know — are sporting bikinis and suntops. Certainly the chainstores sold out long before winter proper set in. Marks & Spencer, which had an excellent range this year, reports that it had sold out well before Christmas.

Those who are still looking might like to know that Fenwick of New Bond Street still has a collection on sale, although mainly of the rather expensive kind. Pure wool leggings, vests, long-sleeved tops and briefs by Hanro range from £13.95 to £31.95. A deliciously ritzy range from Italy, Malizia, sells at prices ranging from £29.95. Meanwhile Survival Aids of Morland, Penrith, Cumbria, CA10 1BR, has a plain but softly luxurious silk collection at prices ranging from £5.95 for a pair of silk socks to £24.95 for a long-sleeved vest. There are also silk gloves (useful as lining gloves for skiers) boxer shorts, balaclavas and short-sleeved vests.

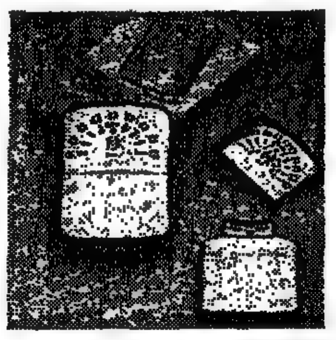
And don't forget Damart — those pioneers of the world of under warmth — its 20 shops are open all year round and those out of reach of the shops can always use the catalogue.

There are thermals for men, women and children in featherlight weave or double force Thermolactyl for the really chilly brigade. Prettiest is its floral sprigged collection of underwear and nightwear. For a catalogue write to Damart, Bowling Green Mills, Bingley, W. Yorks, BD97 1AD.

Sketched here is a black and white striped thermal all-in-one 'body' from the Knickerbox chain which sells for £18.99 at all 34 of its branches. Knickerbox has quite a lot of other thermal underwear in stock — black cami-tops at £6.99, knickers at £4.99 and black bodywear at £10.99.



Illustrations: JAMES FERGUSON



THOUGH eminently useful to fall back on in emergencies, when the heating fails, the Peacock handwarmer could also be just the thing to transform all those winter spectator sports, such as cheering on the school rugby team or providing back-up support for the shooting set.

Once upon a time the handwarmer used to be a classic gentlemen's accessory but these days they seem to be forgotten. The Peacock handwarmer is made from chrome and, whereas most handwarmers run on charcoal sticks, this one works on "a catalytic principle" which seems to mean that it runs on fuel lighter which you light and then extinguish. It is stored in a velvet pouch and keeps hands warm for up 12 hours. £11.95 from Troika stockists throughout the country or buy it by mail for £1 extra from Troika, Stratford-upon-Avon, CV37 0BU.

THE HUGGIE is a new invention this year — a hot-water bottle without any water. It was designed to help those whose hands are perhaps shakier or less dextrous than they were and it means that there is no need at all to fill the bottle and risk scalding from spillages. It works by being plugged into the electricity (so, alas, no use when the electricity is down) and it then takes under ten minutes to heat up to a thermostatically controlled temperature which it retains far longer and more evenly than the traditional bottle. £23.50 (inclusive of VAT) from John Bell & Croyden, 54 Wigmore Street, London W1. It can be bought by mail order for £2.50 extra to cover postage and packing.

FOR A really sturdy collection of rainwear, it is worth looking at the Loofy range. Loofy was started by Lucinda Edsell and she now sells her distinctive rainwear at country fairs and events as well as to some of the most established of sportswear shops. The charm of her range, to my mind, is that it looks all of a piece, that it has been carefully designed with real wear in mind and that it looks the part. The fabric is all oiled cotton. Colours are either navy or olive, lined with Lindsay, or Stewart of Bute tartan. Pieces in the collection range from full length raincoats to childrenswear, from waterproofed overskirts to backed rugs that could be a godsend on a typical British picnic. Photographed here is the Loofy range for children — the sou'wester hat is £14 and the raincoat, about £40, depending on size. The fabric is machine-washable Superwax with easy-to-manage button fastenings. Rugs are £45, capes £130, coats, £110. Find the Loofy range at Holland and Holland, Harrods, Purtdey, Farlows, Gordon Lowes, Country Corner in Harrogate, Country Cousins in Cheltenham, Devon Clothing in Charlbury, Oxford and in many more country outfitters. For a local stockist contact Loofy Limited, 53 The Chase, Clapham Common, London, SW4 0NY. Tel: 01-622-8733.

Malaysia in Focus

TRAVEL

The princess who cursed an idyllic island

*Lotus eater **David Dodwell** travels from Langkawi to Penang and Malacca*

AS I LAZED under the room's gently wafting fan, staring sleepily through the verandah doors and silhouetted palm trees at the sun setting over Pulau Singa, I could not help musing what Mrs Thatcher had made of it all just three months ago.

How struck had she been by these mellow stilted Kedah longhouses, built of rich red native woods? Had she padded barefoot along the white coral sand and mused over the sunset? Did she notice the warnings about invasions of paddy beetles at rice harvest time? Or of jellyfish off the beach? Or the offer of prayer mats for the Moslem faithful?

Doubtless she, and the other heads of state flown in to Langkawi's new Pelangi Beach Resort for a weekend of "R & R" in the midst of one of the Commonwealth's more acrimonious summits, had loftier thoughts on their minds than the idiosyncrasies of one of Malaysia's newest and – in spite of the paddy beetles – most lovely hideaways.

Since Mrs Thatcher was still smarting from accusations of perfidy over joint statements on South Africa, she would have felt a kindred sympathy for Mahsuri, a local princess who, according to legend, was falsely accused of infidelity and sentenced to death. When executed, her innocent blood flowed white; as she lay dying she cursed Langkawi island for seven generations to come.

This legend-riddled group of islands off peninsular Malaysia's west coast has had more than its share of bad luck since Mahsuri died, and the seven generations have only just passed.

Many locals – not least Eddie Tan, Singaporean manager of the Pelangi Beach – say it was fear of Mahsuri's curse that prevented earlier tourist development of the island. There can be few other reasons to explain why such an idyllic corner of the globe should have been overlooked.

Langkawi was to be the first of three locations visited along peninsular Malaysia's west coast, and as I overheard news of monsoon rains along the east coast I could not help feeling that the choice had been inspired.

The west coast was monsoon-free throughout the European winter months; Langkawi was probably the country's prettiest and least developed resort area; Penang, also on my itinerary, was perhaps Malaysia's liveliest and most culturally diverse island resort; and Malacca, my third destination, was an historical treasure trove, receiving ambassadors from China in the early 1400s and later lusted over as a colonial prize by the Portuguese, Dutch and eventually the British.

If you have been spoilt, as I have, by being pampered for too many years in too many exotic hotels, then you will have little option in Langkawi but to stay at the Pelangi Beach Resort. A good second best would be the Langkawi Island Resort close to the main hamlet of Kuah, but for distinctiveness the Pelangi Beach has no match.

Outside the hotel, pleasures are simple: the tourist infrastructure has left only the lightest imprint on the island. Malaysia's resorts have been left to grow out of a living culture rather than create a synthetic environment especially for tourists, and Langkawi is no exception. By jeep the main island can be circumnavigated in a couple of hours.

They say that local marble was used as ballast for Langkawi's roads – in which case it is a minor blessing that there are so few of them. It was only when visiting the Seven Wells – an astonishing and entirely natural slalom of water cascades and rock pools that culminates in a 300ft waterfall – that I wished for more tarmac. It took more than a little fortitude to clamber, streaming sweat, though the jungle-covered mountainside up to the first of the "wells." Even the wild jungle flowers, Raja Brooke butterflies and screaming cicadas passed unappreciated.

Another over-rated pastime in Langkawi is snorkeling, unless you travel three hours out to Pulau Payang, then the coral is paltry and the sea misted by sediment washed down from the island's interior. That said, island hopping can be fun – particularly if you avoid the extortionate expense (but undoubted luxury) of Pelangi Cruises' French-built yachts (try instead the speedboats operated by Langkawi Marine Sports Services, close by the Pelangi Beach Resort). Islands around Langkawi may be uninhabited by people, but they are humming with wildlife, from brown eagles overhead to gibbons and parrots in the jungle canopy and iguanas and turtles around the water's edge.

At present, only half a million people visit Langkawi every year. Its tiny airport, comfortable only with small aircraft, sees just 15 flights a week. Government officials say they want to treble the tourist influx to 1.5m by the turn of the century. They may succeed, but for anyone hooked on its innocent charms that will no doubt be the time to look for somewhere else.

A half-hour hop in a Fokker 50 drops you abruptly into the bustle of Penang, perhaps Malaysia's most familiar island resort. From Langkawi, it is brash, loud, and very Chinese. The Chinese make up about 30 per cent of Malaysia's population, dominating its business life even after two decades of government policies favouring

Langkawi, on the west coast, where pleasures are simple

the Malay – or bumiputera – majority and its urban communities, particularly down the peninsula's west coast.

It is the racial pot pourri of Penang that underpins its appeal, because alongside the Chinese and the Malays have settled communities from every corner of Asia. In Georgetown, the island's largest community, gongs and bells in Hindu, Buddhist and Taoist temples vie with calls for Moslems to prayer in its many mosques; Chinese temples, emblazoned with what can only be called an orgy of mythical decoration, lay steeped in sandalwood smoke pouring from joss-sticks the size of gateposts; restaurants and hawker stalls lit by hurricane lamps assault the senses with vegetable, meat and fish dishes steeped in spices of endless variety. There seems to be a festival for every day of the year.

It may just be me, but this extraordinary cocktail of activity has much more potent appeal than the white sand beaches that stretch along the island's northern coast, and spawned its first tourist hotels. If you have been spoiled by coral beaches in the Maldives, the Pacific and the Caribbean, then Penang's sand will have only mediocre appeal.

From Penang, Malacca is sleepy hollow. It is still very Chinese, but it runs in a lower gear. It is hard to imagine that when Penang was no more than an anchorage for British and Dutch clippers stocking up on fresh water and oysters, Malacca was one of the world's most important trading ports. First coveted by the Portuguese, it fell under colonial control in 1511. The Dutch wrested control 130 years later, and in 1824 gifted it to the British in exchange for territory in Sumatra. Throughout a 400 year period, it was at the fulcrum of east-west trade.

Perhaps, as with Canton in southern China, it was the coming of deep-hulled ships that saw it slip into inconsequence. Today, it has no airport to speak of and is not on any railway line, but is easy to reach by road from Kuala Lumpur.

The fact that the last half century has passed Malacca by makes it more a living museum than anywhere else in Malaysia. Chugging up the Malacca River – no more than 30 yards wide at its mouth – one can easily imagine oneself an opium trader waiting for the monsoon winds to change before continuing one's onward journey to China. Such a trader would doubtless have passed identical Sumatran trading junks moored on the river's banks. The narrow Dutch houses balanced on long stilts over the water will not have changed. The water would probably have been just as polluted, and the metre-long iguanas, which seemed not to care about pollution as they lounged on rocks below the stilts, no doubt have ancestors that stared with similar disdain as passing vessels.

Today, only rubble and ruins reminds visitors of Portugal's colonial rule. Touring the town's sites by trishaw seemed the only sensible way to travel. Only one thing troubles me about this form of transport: why is it that seats are designed to be too narrow for two western-sized backsides? As we rode uncomfortably down Malacca's narrow streets, I wondered whether a country just 30 years free of four centuries of colonial rule had designed them to inflict a discreet revenge.

A timeless people

***Michael Thompson-Noel** waiting for his lunch*

IT IS 5pm on a Saturday and I am sitting, like a timeless person – one careless of his time – in the comfort of the Pan Pacific Hotel, Kuala Lumpur, watching a fashion show. The models – six of them: Chinese, Malay, Indian – are very young and beautiful and also very tall. Two of the most beautiful ones look to be more than 6ft.

They turn and swish and turn again, jiggling their ankles and twitching their rumps and smiling plastically in provocative parody of the European catwalk.

The notion of "timeless people" is one I have encountered in V.S. Naipaul's *Among The Believers*, an account of his Islamic travels in Iran, Pakistan, Malaysia and Indonesia. In Malaysia, in KL, Naipaul met Shafi, a serious young man who had come to KL from a village in the north and who works for the Muslim cause. Shafi abhors waste.

"I will tell you about waste,"

Shafi says to Naipaul. "Recently the Government built a skating rink. After three months they demolished it because a highway going to be built over it. They are building big roads and highways across the villages. And whose lorries are passing by to collect the produce of the poor and to dump the products that is manufactured by the rich at an exorbitant price – colour TVs, refrigerators, air-conditioners, transistor radios?"

One day, driving in the country near KL, Shafi and Naipaul see some Malay girls, one of them quite pretty, sitting in a bus shelter, and Shafi says: "Timeless people." Naipaul asks him what he means, and discovers that Shafi is not speaking as a romantic but as a reformer.

"Timeless people. People who have no limits about time . . . They can afford to wait for a bus. There is no hurry for them to get things done . . ." They are aimless. When they meet their friends they say: "How are your children? How about the catch? Is there a lot of fish in the market? What is going to happen to that family? How is the flood? Fifteen feet? Nineteen feet?' Timeless people."

Time passes happily in the Pan Pacific Hotel, though Shafi would not approve. I talk to the organiser of the fashion show, a beautiful and vivacious woman in her 20s who says that the show is sponsored by Yaohan, a KL department store. The clothes are locally-designed and -made and are extremely figure-friendly. The girls are full-time models who earn, on average, about £450 a month. "Is that a lot?" I ask. "It is not a lot," she says. When the show is over, all of us eat more cake.

And now it is Monday, New Year's Day, a little after 3pm. I am sitting at a table in Portuguese Square, Malacca, watching the sun drift in and out of the clouds that are casting an enervating light on the dullish waters of the Malacca Straits.

Malacca is a 90-minute drive south from KL – a drive through the monotonous abundance of rubber plantations, palm trees, rice fields, banana and mango trees and the tin roofs and little gardens of the *kampongs*. Malacca lives life quietly. Not a lot happens, though the state-owned oil company, Petronas, recently signed a contract for the design and construction of a $1.5bn oil refinery which ought to be completed by 1992. A malacca cane, with a handle made of buffalo horn, costs £4.

In Portuguese Square a Chinese family is eating mussels and rice, shovelling the food in at enormous speed. I chat to a young Malay who says he is from Sarawak. For the past seven years he has been at school in Australia. "I am learning to readjust," he says. "It is not proving to be easy. This place (Malaysia) gives me culture shock."

We look at the fishing boats. We look at the sea. The light is growing softer, so we look at the light. We each take a picture.

And now it is Thursday, 11am, and I am sitting in a modest little eating place in the back streets of Mersing, low down on the east coast, drinking coffee with the Chinese owner. Mersing is quiet, too, a bit of a tourist port. Like many Malaysians, the restaurant owner is a well-informed supporter of Liverpool Football Club – irritatingly so, for his knowledge of the Liverpool team and their tedious prospects makes me gasp for oxygen.

The coffee isn't helping. It is as strong and as black as diesel oil, which leads me to wonder whether it is the coffee that causes the Malay business of running *amok*. According to a British policeman from the colonial era: "The typical *amok* involved a gentleman in a completely mad state running down the village street and stabbing everybody."

The state of *amok* "seemed to create a strange, throbbing, reddish sort of atmosphere around it, with a man working himself up from beginning to seem a little strange and abrupt and then a little bit more difficult and gradually working up and working up but never becoming actively furious until perhaps he makes a lunge and tries to kill somebody. But internally they're absolutely boiling – and this boiling seems to spread over into the crowd."

And now it is Monday, just before noon. I am at the Holiday Inn resort at Damai Beach, Sarawak, close to the village of Santubong, the first place where the Arabs and Chinese conducted trade with the natives of Borneo. Because I am sure that it is a public holiday *somewhere*, I am taking things quietly, lolling in the swimming pool, careful about getting sunburnt, sipping crushed cane juice, watching the honeymooners from Singapore and Europe studying

each other lovingly, holding hands beneath the water.

Not *all* of them are flushed. Two of them are sulking, have staged a little fight – I think they are from Frankfurt – because Hans had too many "Headhunters" in the cocktail bar last night. A Headhunter is made of whisky, vodka, rum, cointreau, lime juice, cane syrup and Angostura bitters. It is implied, in the cocktail bar, that it promotes astonishing stamina and virility, but I think that is a lie.

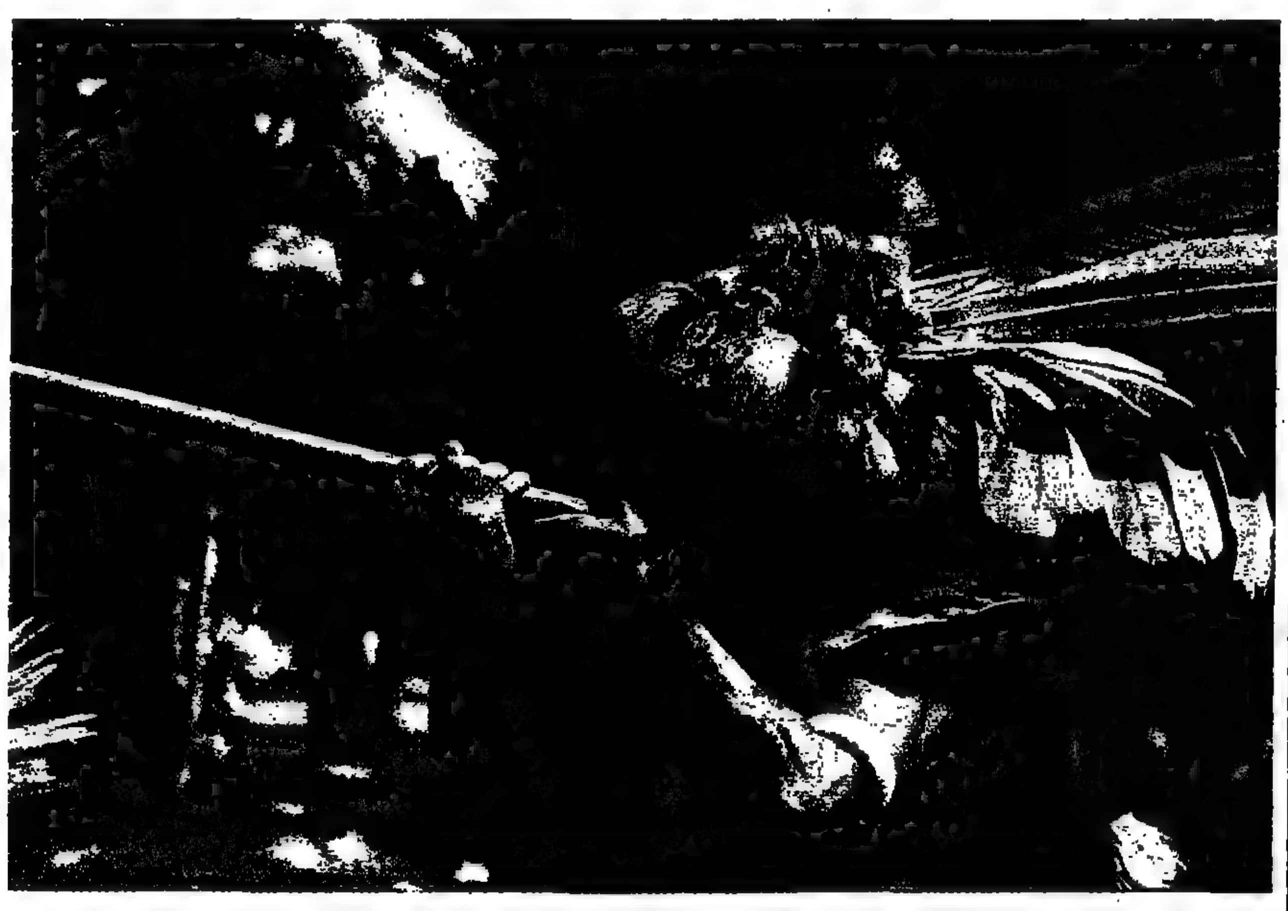
Damai Beach is superb. The jungle looms above us. Santubong mountain rears straight into the clouds. Tiny tropical birds, like flecks of disco-colour, flit between the palm trees that are grouped by the pool. A waiter is chopping coconut. A lifeguard shows his teeth. A pair of British tourists – shroud-white and skinny but strutting like bantam cocks and carrying umbrellas – have just emerged from somewhere, blinking in the light.

I am re-reading Naipaul. In writing about Malaysia, Naipaul says that "the new men of the villages, who feel they have already lost so much, find their path blocked at every turn. Money, development, education have awakened them only to the knowledge that the world is not like their village, that the world is not their own. Their rage – the rage of pastoral people with limited skills, limited money, and a limited grasp of the world – is comprehensive. Now they have a weapon: Islam. It is their way of getting even with the world. It serves their grief, their feeling of inadequacy, their social rage and racial hate."

Among The Believers is banned in Malaysia.

Lunch is almost ready. How sweetly time passes. A thousand years from now, the tourists may well be gone but the jungle will still be here. And so will the timeless ones, sitting in their *kampongs*, sitting by the river, sitting with their fishing nets, crushing sticks of sugar cane, watching the river birds and the fading of the light, talking about the weather, waiting for their suppers, planning a day's head-hunting or a wife-gathering raid, taking life quietly, oblivious of their time.

"How is the flood today? Fifteen feet? Nineteen feet?"



Sarawak blowpiper: there is a 17-acre cultural village at Santubong

Sarawak – a rich and heady brew

***Michael Thompson-Noel** feels a sense of kinship when he has a close encounter with an orang utan at a wildlife rehabilitation centre*

Day 1: "We just finish a semi-dry of 18 hours," says the broad-chested foreman at the processing plant at the Sungei Palas Tea Estate, his teeth gleaming brightly in a handsome Indian face. "That is bad luck for you. It means no tea leaves. You got any questions?"

I do not know what he is talking about. It is early in the morning in the Cameron Highlands – a wildly beautiful morning with dew drops quivering on the tea bushes that quilt the estate's lush hillsides which wear a crest of jungle growth only on their crowns. The weather is cool and breezy. There is so much distracting beauty up here in the highlands that I am incapable of following the guide's description of how the crop is processed.

I hate factories, anyway – have seen too many of them, nasty stinky places, and this is a factory, just like any other. "*Haven't got any tea leaves?*" I say to the foreman. "We are surrounded by tea leaves. Is this stuff any good?" He claims that the tea is excellent so I buy two tins of best and hand him some money, which pleases him immensely.

There is much that is attractive in the Cameron Highlands, which is the largest of Malaysia's hill stations – resort areas developed by the British as upland retreats – and is a few hours' drive north of Kuala Lumpur, more than halfway to Penang. There are waterfalls and forests, fluorescent darting birds, a host of famous butterflies, guest houses and hotels, vegetable and flower farms – they grow cauliflowers and leeks, roses and chrysanthemums – and unlimited cream teas, shockingly authentic, oozy and richly-jammed, gifted by colonialism.

There is also a golf course, as green as Irish linen. According to a brochure at Ye Olde Smokehouse Hotel, where I am staying, the famous Cameron Highlands golf course has an authorised golf shop from which visitors can hire equipment. "Do not be hoodwinked or coaxed by any other agencies," warns the hotel, "as you could be taken for a ride and ended up to be penny wise and pound foolish!"

There is more: "This is a full 18-hole course with challenging terrain and tricky greens. Precisions reign top on this course . . . Golfers have to be properly attired and the golf etiquette as well as local rules and regulations must be strictly complied with and any obstinate violation could result in summary suspension and ejection . . . Do unto others as you would be done by!"

In late afternoon, a group of Finnish tourists that is rumoured to include the Finnish Agricultural Minister is given a guided tour of Ye Olde Smokestack's residents' lounge, an hysterical room that is crammed with plastic flowers and hideous mounted clocks. A tigerskin lolls horribly. I am sitting in an armchair. Several Finns photograph me. I believe they think I'm stuffed.

Day 2: After driving south for a while and stopping for various coffees I am now crossing the peninsula, heading for the east coast and the large port of Kuantan. The road is good but narrow; what makes the drive frustrating, and undeniably dangerous, are the huge trailers hauling timber, belching out black smoke and making overtaking hazardous.

Halfway through the journey it begins to rain quite heavily. It is the rainy season on the east coast. The rain makes me smile. I even start to sing. Before leaving London I had suffered a bizarre conversation with the chap at the tourist office, who was horrified that I wanted to visit the east coast, let alone Sarawak, immediately after Christmas. "I don't want you to go in January," this person had exclaimed. "It is the rainy season there. I am sure you will not be happy." I told him that I didn't sit around in London waiting for it to shine.

The Malaysian east coast is far quieter than the west, less populated, more pastoral, more attracted to Islam, perhaps because it is poorer. In olden times Kuantan used to be a day's driving from Kuala Lumpur; or there was the railway, running north to Kota Bahru, near the Thai border; or you took a night train to Singapore and then a coastal steamer to Kuantan, taking three or four days, gliding past islands like Tioman, which you can now reach by plane.

Kuantan is large and jolly, though by the time I drive into it I am streaming with a heavy cold, not because of the rain but because I have been fiddling with the car's air conditioning, switching it on and off so that I can blow smoke out of the window. I spend the night at the Hyatt, lulled by a crashing tide.

Day 3: After a hot and sticky drive southwards I am now in Johor Bahru, "JB" to all and sundry, at the foot of the peninsular, opposite Singapore, feeling amazingly unwell – certainly not fit enough to plunge into the hectic and sweaty nightlife of this large, pulsating city.

So I lurk in the Holiday Inn, conserving my energy, drinking milk shakes, waiting to catch a plane to Sarawak and glad that I wasn't on the road last night when the JB police shot and killed three wicked desperadoes – Wong Chee On, 22, Chai Hew Thiam, 26, and Lim Yew Wee, 27. All three of them are described as having been high on the wanted list.

Days 4-5: By the time my plane reaches Sarawak, across the South China Sea, it is well after midnight, but I am instantly revived by the warmth of my welcome from Goh Chin Teik – "Christian name Thomas" – who meets me at Kuching airport and says he is my ground-handler. The first person I meet and talk to in any strange city can have a disproportionate impact on my enjoyment of that place, and in ground-handler Thomas I am uncommonly lucky. He works for Intercontinental Travel, a Kuching firm I would recommend as a minder and organiser.

On the drive into Kuching, Thomas tells me of the friendliness and tolerance of Sarawak folk. "We all get on well in Sarawak. All the races mix. There is much intermarriage: Chinese goes with Indian, Indian with Malay, Malay goes with Iban, Iban marries Chinese. People very tolerant. Have a jolly time. And Sarawak is rich place, produce many things." He lists these commodities, finishing with gold. "Coal?" I ask him, misunderstanding him. "*Gold*," says Thomas. "We produce 24-carat gold and also 18-carat."

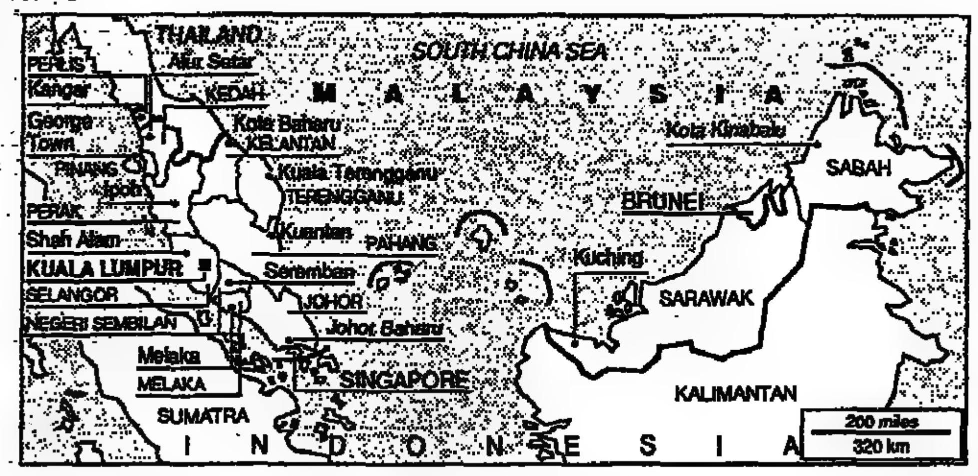
Because of my 'flu, I tell Thomas that I plan to miss the scheduled Skrang River Safari (2 days/1 night full board . . . experience the natural lifestyle in an Iban longhouse . . . boating and jungle trekking) on the grounds that it sounds too touristy and that I do not want to get wet. "Very touristy," confirms Thomas. "Also very wet. We must try to keep you dry."

I say that I would like to see some orang utans, man's closest surviving relatives, so the next morning we drive 24 kilometres from Kuching to Semenggok orang utan wildlife rehabilitation centre, one of only three such centres in Borneo, where a number of our beguiling relatives are being reintroduced to forest life. A young orang utan hands me a branch. We pass it back and forth. Then his gaze falters. His mind goes blank. He throws the branch away. His brain is very dim, but he is certainly *very* beautiful: definitely a relative.

In the wild, orang utans occur only in tropical rain forests on the islands of Borneo and Sumatra. It is thought that the total number alive in the world today is between 43,000 and 93,000. The greatest threat to their survival is – inevitably – deforestation. See them while you can.

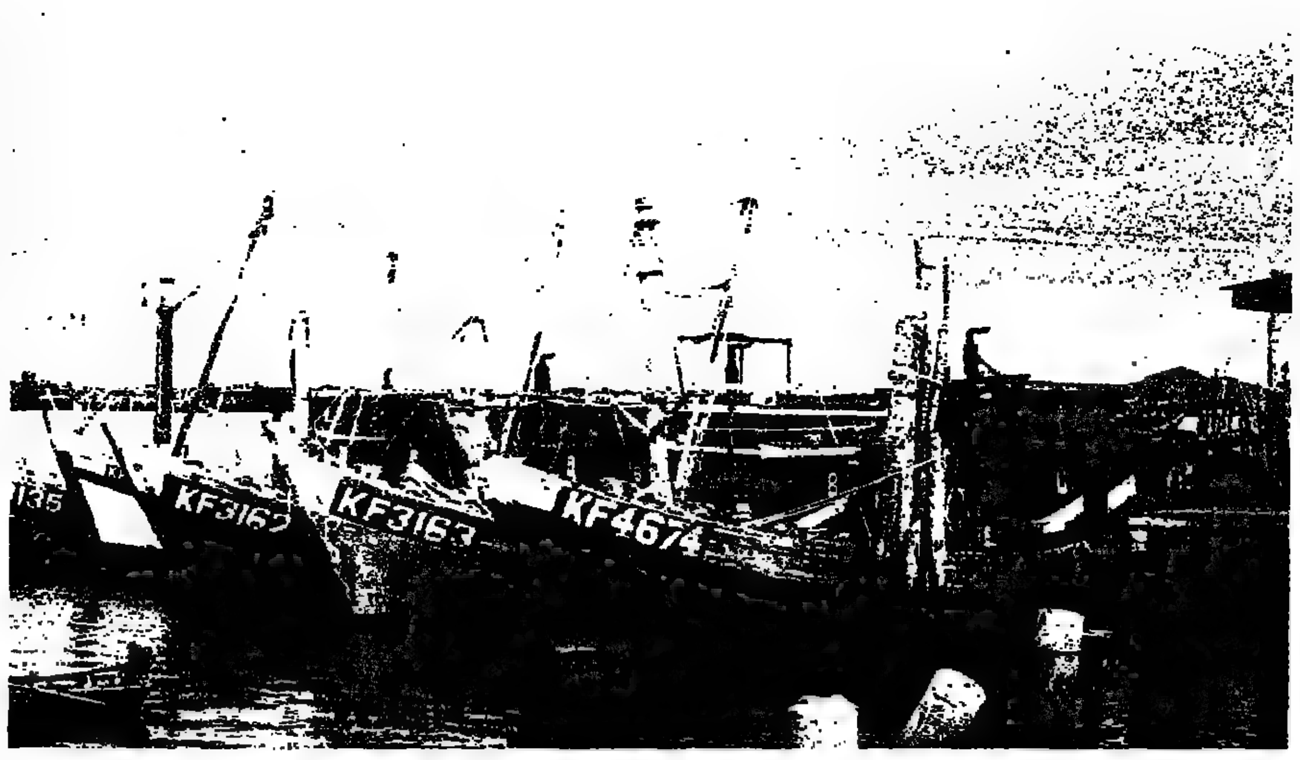
The only other places where you can see semi-wild orang utans in natural forests are Sepilok forest reserve, in eastern Sabah, Tanjung Puting national park, in central Kalimantan, Indonesia, and Bohorok in northern Sumatra, Indonesia. And there are two areas where bolder adventurers may be able to seek wild orang utans. Both areas are in eastern Sabah: the lower Kinabatangan River region and Danum Valley.

I am greatly taken with Kuching, as with Sarawak in general, and regret that the brevity of my visit prevents me from pushing into the interior, joining the headhunters, looking for hornbills or visiting the national parks. On a scale of one to 10, though, I would rate Sarawak extremely highly: at least 9.5.



All you need to know: a guide

By Michael Thompson-Noel, Travel Editor



THIS IS Visit Malaysia Year, when about 4.2m visitors (10 per cent up on last year) are expected to enjoy a taste of what will undoubtedly come to be regarded as one of the best (and best value for money) tourist destinations in Asia. To celebrate, the Malaysians are laying on more than 100 special events and festivals.

The people are friendly. There are numerous fine beaches. The hotels are mostly excellent. The jungle looms everywhere, except where they are hacking it down to grow palm oil.

English is spoken universally – even in the wilds of Sarawak and Sabah, I imagine. And food, cigarettes, taxis, entertainment, petrol and other touristy things are cheap (the Malaysian ringgit, or dollar, is pegged to a basket of other currencies).

The director of the Malaysia Tourist Development Corporation impressed me when he told me in Kuala Lumpur: "We make no effort only to attract high-class tourists. Back-packers are welcome in Malaysia. Everyone is welcome."

Here are one or two things you might like to know:

■ More than 40 UK travel companies cover Malaysia. For example, Serenissima offers a 15-day natural history visit that includes North Borneo, taking in Kuala Lumpur, Kuala Tembeling, Kuala Tahan, Taman Negara National Park (three days: the brochure speaks of "elephants, wild cattle, wild boar, primates and . . . the clouded leopard and civet"), Mt Kinabalu National Park and Penang.

There are two departures in 1990: April 27 (to May 11) and October 12 (to October 26), at a price (twin-bedded) of £1,462 per person, single supplement £250. All Serenissima tours are accompanied by a lecturer and tour manager.

Bales offers quite a bit: a journey from Bangkok to Singapore overland, taking in Phuket, Penang, the Cameron Highlands, Kuala Lumpur and Malacca (17 days from £1,388); a *Jalan Jalan* tour of Malaysia – *Jalan Jalan* is a Malay phrase meaning to stroll, ramble or travel for the sake of experience (14 days from £942); and a 14-day escorted tour of North Borneo (Sabah and Sarawak) from £1,568.

Pacific Connection offers various deals to Penang as an add-on to Singapore and elsewhere; there is a Club Med village at Cherating, north of Kuantan, on the east coast; *Tradewinds has its own* ASEAN brochure, which includes a Malaysian discovery tour (13 nights, about £1,132) with a seven-night add-on in Penang for about £220), and Kuoni's Worldwide brochure features 15 pages on Malaysia, covering most places, including the lotus eaters' funspot, Langkawi.

Most parts of Malaysia are available in endless combinations and permutations involving everything from fly-drive to coach tours.

Other UK operators that offer a Malaysian programme include: Albany Travel, Asian Affair, Far East Gateways, Jetset, Hayes and Jarvis, Magic of the Orient, Oriental Airplan, Page and Moy, Ranger Holidays, Silk Cut, Sovereign Worldwide, Speedbird, Thomas Cook, Top Deck, Trailfinders, Premier Faraway Holidays, Travel Pack, Travel Bag and Vacationland.

■ Commonwealth citizens (except Indian nationals) plus a few others do not need visas. US and most western European citizens can stay up to three months without a visa.

■ There are no currency restrictions.

■ Electricity supply: 220-240 volts AC.

■ Time: GMT + 8; EDT + 13.

■ Climate: no distinct season. Warm and humid all year. As the tourist people say: "It can rain at any time in Malaysia but generally it falls mainly in *the afternoons.*" *Wet season:* November-February on the east coast, Sabah and Sarawak; August-September on the west coast.

■ You will find a good list of hotels, car hire and airline details in the *East Asia Travel Guide 1990*, Priory Publications, £5.95 (distributor's tel: 082572-3398).

As well as Malaysia it covers Brunei, China, Hong Kong, Indonesia, Japan, Korea, Macau, the Philippines, Singapore, Taiwan and Thailand. I found it difficult to get good books on Malaysia in London, but there are many available in Kuala Lumpur (eg: the books department of the Yaohan department store). What you *can* find in London includes *In Malaysia* by Denis Walls and Stella Martin in the Bradt Publications series, £5.95, and V.S. Naipaul's *Among The Believers* (banned in Malaysia), Penguin, £4.99. There are plenty of guidebooks, plus excellent natural *history* titles.

■ More than 20 international airlines, including Malaysian Airline System (MAS) and British Airways, serve Malaysia. Apart from Kuala Lumpur there are airports in Penang, Kuantan, Kuching and Kota Kinabalu.

MAS was in hot political trouble for poor service when I was there, though my own (very limited) experience of the airline was first rate (excellent service, chatty pilots, good *time-keeping: I must have been* lucky). There are special MAS fares for travel within the country.

British Airways is currently operating four flights a week from London to Kuala Lumpur, two continuing to Australia and two to Manila. BA's excursion return fare is £650-£741; Club World, from £1,638 return; first class, from £3,507.

Malayan Railways offers a cheap 30-day railpass. Train services extend from Singapore to Padang Besar at the Thai *border, linking up with Thai* Railways for Bangkok. Regular ferry services ply between the islands. Car rental is available in all major towns.

■ In London, the Malaysia Tourist Development Corporation, which has an extensive range of reading matter, is at 57 Trafalgar Square, WC2N 5DU, tel: 01-930-7932.

Other telephone numbers: Frankfurt, 069-283782; Sydney 02-294441/2; *Los Angeles,* 213-689-9702; Hong Kong, *5-285810/1;* Bangkok, *2367606/* 2362832; Singapore, 02-5326321/5326351; Tokyo, 03-279-3081.

■ Malaysia wages a deadly war *against drug trafficking and* abuse. In the first eight months of last year, 44 drug traffickers were sentenced to death and one to life imprisonment. Scores more await trial. As your plane slants in towards Kuala Lumpur, even the chief steward makes an announcement about the death penalty.

How to plan your own tour

A SPELL of building activity some time ago provided Malaysia with a number of new hotels. It also drove down room prices, which were high by south east Asian standards. After a period of relative high occupancy rates, boosted by strong promotion, rates have risen again by 20 per cent and more, but the cheap ringgit compensates for the higher prices. Top lodgings start at around US$60 per single. There is also an adequate supply of rooms; the Hong-Kong based *Regent, for example, has just* opened an hotel in Kuala Lumpur.

Top Malaysian hotels, both in resorts and cities, are primarily functional and were not meant to rival Seoul's Hotel Shilla or Jakarta's Hilton, for example, in terms of grandness. Although their services and hospitality are good, they have yet to get the recognition earned by hotels in Bangkok, Hong Kong and elsewhere. Hotels and their restaurants add a 5 per cent government tax and a 10 per cent service charge to their rates.

■ **Planning.** As a guide, here is a travel configuration for those who plan their own tours. Malaysians commonly divide their country into three segments, two on the peninsular mainland and one, across the South China Sea, in Borneo. On the mainland, the Main Range jungle mountains split the peninsula down the middle into (1) the west coast and (2) the east coast. Sabah and Sarawak are in Borneo (3).

Ponder the number of days you can spare, then pick any permutation of destinations which, in 10-14 days, say, can combine travel at leisure to six or seven places from any two of the three segments. Select, for instance, a mixture of cities, orang utans, turtles, mountain climbing, and beaches. Required overnight stays in each of the places are given below in parentheses and should accommodate day-time excursions out of town. This configuration combines both road and air travel.

Segment 1: Kuala Lumpur (3/4 nights), Malacca (1, then back to KL), Cameron Highlands (1), Ipoh (1), Penang (3), Langkawi (2). Total: a dozen nights.

Segment 2: Kota Bharu (1), Kuala Trengganu and, for the turtles, Rantau Abang (2), *National Forest Park* (1, maybe), Kuantan (1), Tioman island (2). Total: 7 nights.

Segment 3: In Sabah; Kota Kinabalu and climbing Mt Kinabalu (3), Sandakan for Sepilok orang utan sanctuary and Selingan turtle island (2). In Sarawak; Miri and Mulu *National Park (2), Kuching and* Niah Caves (2). Total: 9 nights.

Flying into Malaysia, start with Kuala Lumpur and work north (Segment 1) to Langkawi. Then catch the morning train to Thailand. If you go east instead, start with Kota Bharu, travel south (Segment *2) and you will end up in* Singapore. Pick up Segment 3 from Singapore or from KL where there are several daily departures to Sarawak and Sabah. If coming in by road or rail from Singapore, take the Segment 1 or 2 route. Entering Malaysia from Thailand, start at Langkawi.

■ **Transport.** Buy coupons, at fixed-rate fares, for the taxi rides from airports to cities. In the cities, pay the meter rate *plus 20 per cent for air-conditioning.* Avoid the buses, both big and small. Trains, with first and second class, seats, run along the peninsula's west coast to Singapore. The International Express, with berths, takes 30 hours between KL and Bangkok.

■ **Eating.** *Try all sorts:* Indian, Chinese, Malay, Italian, Japanese and various mixtures and concoctions. Tea is *tay*, coffee is *kopi*, and they are incredibly sweet.

■ **Shopping.** When buying on the streets, mentally halve the quoted price, then start bargaining.

■ **First Stop.** In Kuala Lumpur, the Malaysian Tourist Information Complex (MATIC) may be helpful. It is housed in the Tunku Abdul Rahman Hall (or Dewan), a colonial building, opposite a school, in Jalan Ampang. Services, *paid for by* the Government, are: maps, travel and hotel bookings, money exchange, tour guides, food, art display, theatre. It opens daily, 9am to 9pm. Tel: 03-2434929.

Lim Siong Hoon

Hollywood: a place kissed by make-believe

Nigel Andrews, the FT's film critic, offers an affectionate guide to his favourite Hollywood haunts — from museums to film stars' homes. 'Once visited,' he says, 'never forgotten'

I FELL in love with Los Angeles the first time I saw it. Many people will tell you it is an unsightly, smog-infested urban sprawl full of those frightful movie persons; that the place is menaced by keep-fit cults, vegetarianism, jogging and other signs of mental illness; that the traffic i[illegible] so congested you can scarcely move; t[illegible] when you do move you get shot in [illegible] drive-by shooting; that . . .

I need not continue. People who hate LA hate LA. People who love LA acknowledge the truth of the above but still pine for the smell of poisoned air and the horizontal immensity of the place (far more magical than the vertical immensity of New York).

Above all they pine – or I do – for Hollywood, the place and the spirit. As you approach LA by plane, you will recognise the city first by the yellow air hanging above it, then by the famous white sign in the hills saying "Hollywood." From one of that sign's giant letters a young silent starlet once threw herself to her death: less from despair, I like to feel, than from a heroic, valedictory euphoria – "Now more than ever seems it rich to die."

Hollywood is the movies and the movies are Hollywood. The place abounds with silver-screen memorabilia, a living museum of the 20th century's unique art form. Many buildings and movie monuments are open to the public. Many lie casually by the roadside, unadvertised and unsoliciting. Nearly all are worth a pilgrimage. My top 10 list of attractions for a first-time visitor would go like this:

1: The Hollywood Barn (Highland Avenue, just north of Hollywood Boulevard). This majestic white-painted shack was Cecil B DeMille's headquarters when shooting *The Squaw Man* in 1913 and thus the first Hollywood studio. Now a museum full of relics of the period.

2: Whitley Heights. This hilltop residential area just behind the Barn has more stars' homes per square foot than anywhere else. Last year, thinly disguised as a prospective buyer, I wandered around the fabulous "Villa Vallombrosa": an *Arabian Nights* folly which once housed – though not all at the same time – Greta Garbo, the designer Adrian, the distinguished actress Dame Judith Anderson and composer Leonard Bernstein.

3: Mann's Chinese Theatre (Hollywood Boulevard). Formerly called "Grauman's Chinese" after its founder, this oriental extravagance still operates as a cinema. Outside it are the famed footprints of the stars, plus, in *Lassie's* case, the paw-prints.

4: The Brown Derby. A restaurant shaped like a hat: only if you live outside LA could you find this odd or tiresome. It is a mecca for movie stars and the Hollywood in-crowd, so by all means stand outside with an autograph book though you may prefer somewhere cheaper to eat.

5: Griffith Park. When Hollywood movies went on location in the early decades, it meant they came here. Said Sam Goldwyn: "A tree's a tree, a rock's a rock. Shoot it in Griffith Park." Hence the familiarity of the odd wood, hill or Western-style rocky outcrop. Not to mention the observatory, which featured in *Rebel Without A Cause* and other films.

6: Sunset Tower. Fabulous Art Deco erection on Sunset Boulevard (East of La Cienega). The silver-painted tower is awash with sculpted mermaids, sunbursts and *bas relief* palms. There is nothing very film-related about it, except that since recent renovation it has been affiliated with London's St James's Club and hosts many of Hollywood's most glittering parties.

7: Paramount Pictures. That famous arch, those famous gates. See them at 555 Melrose Avenue.

8: Venice. This canal-strewn suburb-by-the-sea, south of Santa Monica, was rendered immortal in Welles's *Touch of Evil*. It has cropped up since in films and TV series. Venetian-style arches jostle with modern petrol pumps and peeling diners. Ten points for atmosphere. No points at all for personal security, since the place has developed a sleaze-and-crime reputation in recent years.

9: Universal Studios Tour. The *Psycho* house and the shark from *Jaws*, plus flash-floods, ice tunnels and much fun for the whole family.

10: Disneyland. But of course.

Hunting out these places, or browsing around Los Angeles at your own will, is sheer delight. Do not be put off by the city's flair for camouflage. Down in the valley all residential streets look the same: die-straight strips of tarmac flanked by palm trees and white Hispanic bungalows. Up in the hills, all residential streets also look the same: hairpinning hells flanked by iron gates, palatial roofs peering above designer jungles, and metal signs saying in 57 varieties of euphemism: "Keep away or we'll shoot you."

Follow the stars on Sunset Boulevard

As regards star-spotting – an activity few can resist when visiting LA – there are two all-important rules. Never go on one of those "Homes of the stars" bus tours. They are for the gullible. Con-persons with the gift of the gab will drive you all over Laurel Canyon and/or Mulholland Drive saying things like: "This was the home of Rudolph Valentino for two months in 1923 and if you look at the top oval window on the left" – the only one you can actually see – "that is the room where he once made love to Vilma Banky." (How do they know?)

Next stop: "Behind those gates lies the mansion where Greta Garbo once stayed for a weekend. The house was later owned by Elisha Cook Jr's aunt and is believed to be haunted by the ghost of Louis B. Mayer."

Of course this rubbish is unaccompanied by any actual glimpse of any actual star, unless you happen to drive by James Stewart's house at the moment he is putting the milk bottles out.

No, personal initiative is essential in star-spotting, which brings us to rule two. Never – repeat, never – actually look for a star. It is the equivalent of waiting for a kettle to boil. Given a little nonchalance on your part, they will come to you. There are, however, two localities at which you may be luckier than at others.

First, Sunset Boulevard from the Château Marmont to the Hyatt on Sunset. The Marmont and Hyatt hotels are both good movie-star meccas; even better, on the right day, is The Source restaurant, midway between. This humble, white-painted shack is a vegetarian eatery and a trendy place for stars who want to appear casual. Sidney Poitier brushed past me on my very first visit there, spilling my raised spoonful of "Alfalfa Apocalypse."

Second, Hollywood Boulevard (east of Highland). This is the seedy end of an increasingly seedy street. But never mind: it is loved by actors who want to return nostalgically to their days as penniless thespians. Years ago I saw Richard Dreyfuss crossing the road here, with a script held one foot in front of his nose. Actors learning lines have a sixth sense about oncoming traffic.

As a film critic, I have the good fortune to visit these people legitimately from time to time and to threaten them with a microphone. Of all the houses I have visited, I must pick out three in the near-certain knowledge that years hence they will be opened to the public as national monuments and you will be able to visit them yourselves.

1: Charlton Heston's house. Frank Lloyd Wright is alive and well and has had a brainstorm at the top of Coldwater Canyon. Or so you would think. This astonishing place, with its ranch-style dry-stone-wall interiors and huge picture windows overlooking 300 acres of unspoilt Water Conservation land, is a knockout. Rare owls, eagles and raccoons prowl the grounds and *messuages* – or so Mr Heston tells me – and the house is built on a three-sided promontory high above all rival peaks.

2: Esther Williams's house and pool. Yes, I have dipped my hand in the Hollywood Mermaid's swimming pool and have not washed it since. Airy and spacious, this charming abode overlooks the whole valley of LA. The pool *is* not large but Miss Williams still swims in it each day and was wearing an *ensemble de piscine* in dazzling orchid-white the day I visited.

3: Vincent Price's house. You wind up into the Hollywood hills at night, accompanied by flickering bats and the howl of wolves. But lo! The king of horror's house is not a crenellated pile washed by the blood of virgins but an elegant pink-hued villa on a side street. Mr P's famous art collection, largely modern, sprawls around the walls, and a flower-covered patio tinkles to the sound of water and wind-chimes: a delightful place for its owner to rest between vampiric labours.

The wonderful thing about visiting Hollywood is that, three days after arriving there, you have no special desire to see a star at all, for you feel like one yourself. The glittering lights by night; the palms, billboards and designer-hacienda houses by day. The place seems kissed by make-believe.

Once visited, never forgotten. But do not, in an excess of Keatsian euphoria, ever climb that tempting "Hollywood" sign. You will note that I have withheld its address from you.

TRAVEL BOOKS

Already hymned in America by Arthur Miller, John Gregory Dunn and Philip Roth, Amos Elon's Jerusalem: A City of Mirrors (Weidenfeld & Nicolson, £14.95) is as good as they say it is: a many-layered mountain (as Miller puts it) of myth and history which serves as a symbol of our most sublime aspirations "along with our most disgusting, hatefully brainless excursions into religious bigotry and fraticide."

In short, the book is as complex and surprising as the city itself. Elon, a renowned Israeli essayist, lecturer and critic, not only evokes Jerusalem in her physical form but grapples with her as symbol for all the peoples and cultures whose conflicting images of Jerusalem, past and present, make her a city of mirrors.

If there are two qualities I find admirable in a travel writer (apart from humour) they are earthiness and zestfulness: they guarantee so much else.

Which is why I enjoyed Brad Newsham's All The Right Places (Hodder & Stoughton, £14.95), an account of this eccentric drifter's backpacking, hiking and biking through Japan, China and Russia: Things *happen* to Newsham.

Anthologies of travel writing are two a penny, but Edward Leslie's Desperate Journeys, Abandoned Souls (Macmillan, £16.95) is as good as they come: a stylish collection of maroonings, ordeals and misadventures – the perfect volume with which to while away long hours at Heathrow or Gatwick.

Guy Yeoman has had more than 40 years' acquaintance with the Rwenzori Range in central Africa – higher than the Alps of Europe and source of the Nile of the ancient Greeks.

Hence the high quality of Africa's Mountains of the Moon (Hamish Hamilton, £25), in which his own stunning photography is matched by Christabel King's fine botanical illustrations. Yeoman also includes his journey to the Virunga volcanoes further south in Rwanda and Zaire.

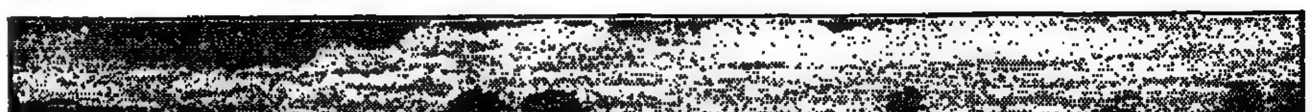
Almost 100 years ago, Mary Henrietta Kingsley's *Travels in West Africa* was an immediate success, and has become a classic. Now Caroline Alexander has retraced the Victorian explorer's footsteps through Gabon, staying at missions and meeting the ghosts of Trader Horn and Albert Schwietzer. The result: One Dry Season (Bloomsbury, £14.95).

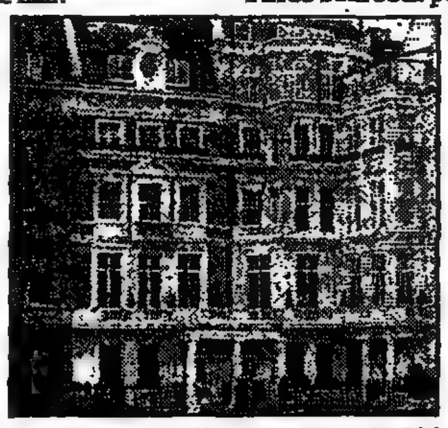
In Sons of the Moon (Weidenfeld & Nicholson, £12.95), Henry Shukman goes in search of the few remaining Aymaras, survivors of South America's first great pre-Columbian empire, who can still be found, scattered in tiny communities, speaking their ancient language, on the sun-baked, wind-whipped Bolivian Altiplano.

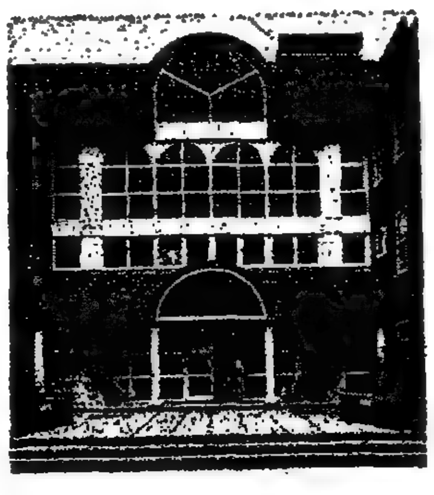
And in Amazon (Hutchinson, £16.95), Dennison Berwick tells of his nine-month, 4,000-mile journey along the entire length of the great river, a feat achieved by few westerners.

Michael Thompson-Noel

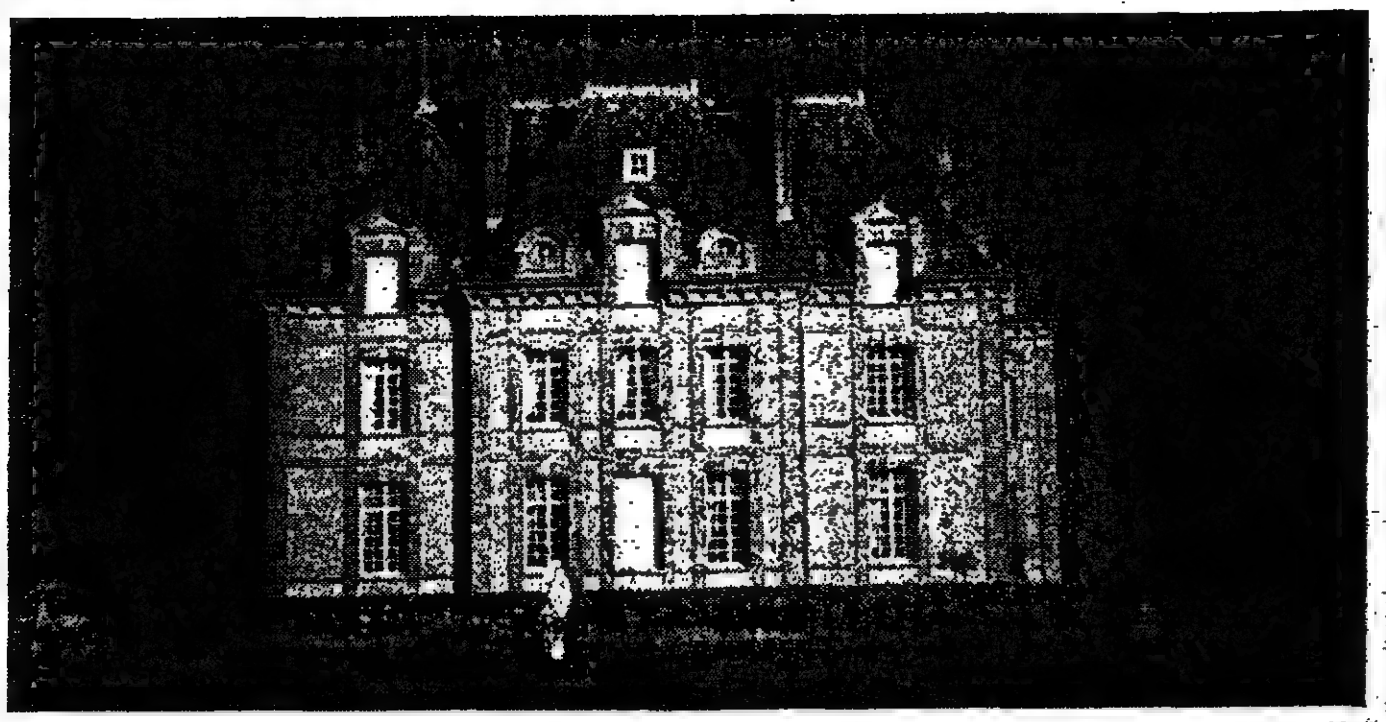
LONDON PROPERTY







PROPERTY



A partly restored château in Normandy in 12 acres. Priced at £380,000 through London agents Farrar Stead Glyn. Tel: 01-731-4391

From cottages to chateaux: the second home boom

*An estimated 25,000 French properties will be sold to British buyers this year. **Audrey Powell** looks at some of the perks and pitfalls*

SECOND home buying across the Channel has become a booming market, and as many as 25,000 French properties will be sold to British buyers during 1990.

This is the estimate of Elisabeth Delmaldent, senior development manager in the business department of the London branch of the French bank Credit Agricole (CA), which is becoming increasingly involved in the market of British second-home buying across the Channel.

There are a number of ways in which a buyer can finance such a purchase – arranging it through a French bank is one. Credit Agricole with 10,000 branches and 17m accounts in France, claims to be the largest retail bank in Europe.

Delmaldent says about 25 per cent of Britons who bought in France in the last couple of years have had mortgages from this source.

The bank is happy to lend on a £25,000 cottage or a £1m chateau. Delmaldent makes no secret of the fact that the bank is out to win this sort of business in the future.

She passes over a slim guide to purchasing a French Property mortgage, written in English, with water-colour illustrations of French rural scenes. The guide aims to give a basic understanding of French house-purchase procedure along with some advice – on forms of agreement to avoid, for instance.

It is only meant to be an outline for applicants, "but if you asked an English bank about financing a French purchase, would you get anything as helpful?" asks Delmaldent wickedly.

The guide describes the special loans service that Credit Agricole has developed to help British buyers. For this, the application form and documents are bilingual; the loan contract (accompanied by a certified English translation) can be drafted and signed in the UK.

You would have to take out a repayment mortgage – they don't go in for the endowment type in France – with a first charge on the French property.

You would also be required to take out life assurance and building insurance, which would be assigned to the lender for the duration of the loan.

The loan can be up to 80 per cent of the purchase price in French francs or 60 per cent in sterling, and is for a minimum of five years and a maximum of 15.

If you take out a loan in Ffr, you have the choice of a fixed interest rate at 10.45 per cent for the term of the loan, or a variable interest rate of 9.75 per cent based on the Paris Interbank Lending Rate, guaranteed to remain fixed for the first 24 months. From year three it may rise or fall by a maximum of 1.25 per cent but will not fluctuate by more than 3 per cent during the entire term.

For sterling, the rate is calculated at 2 per cent above base rate for Eurosterling, borrowed on the Paris market, and is fixed on an annual basis.

One other point. You are given a ten day-cooling off period, under French law, after receiving your loan offer, and you are not supposed to sign your contract before that time.

Credit Agricole's only branch in Britain is in London, but it has recently taken additional premises to handle the volume of new mortgage business.

These are at 23 Sheen Road, Richmond, Surrey TW IBN (tel 01-332-0130). Copies of the guide and mortgage application packs are available from the Richmond address.

This cottage is available at £16,000 through Normandy Cottages

Hot skispots

ONE OF the hottest spots for buying foreign property is the French ski resort of Val d'Isère, the host for the 1992 Winter Olympics, along with neighbouring Tignes, Les Arcs, Courchevel, Méribel, La Plagne and Les Menuires. House prices went up 25 per cent after the choice was announced in 1986.

Jean Claude Killy, Local wonderboy and winner of the alpine events in the Grenoble Olympics, threatened to resign from the Olympic Committee unless more events were allocated to his native village, Val d'Isère. His personal hype was so powerful that the other communes acquiesced. Now most of the major ski events – those that really draw the visitors – are to be held in or around Val d'Isère and Tignes. Courchevel, one of the larger and most sophisticated French resorts, has been palmed off with the jumping and the staging of ice hockey practice matches.

However, the ambitions of Val d'Isère are still not satisfied. There is building on a scale well set to ruin the entire concept. The 15,000 beds have been increased over the past two years to 23,000 with a further 2,000 planned, including a vast complex for the Club Mediterranée.

The agencies claim the flats are selling as soon as they are completed. Prices continue to rise and are now 50 to 75 per cent higher than four years ago. Besides the more stable agency offices, four or five wooden shacks have been set up by speculators. Space is so short they are digging up the nursery slopes to make underground car parks. In the desire for immediate returns, some contractors are pouring concrete in freezing temperatures, which hardly augurs well for longevity.

Some of the sales are being assisted through the extension of the high speed train service, the TGV. While it cannot go full speed beyond Lyons, passengers can now reach the lowland station of Bourg St Maurice without changing, bringing it within 4½ hours, or "weekend time" of Paris.

With two years to go, and prices perhaps doubling, it may still be worth buying. Mortgages are easy to come by and they can be arranged through London branches of the French banks. They normally require down payment of 20 per cent and repayment is spread over 15 years. More especially it is the property, not your income which is required as security.

However, experience from the Grenoble Olympics suggests that directly after the games speculators will sell and property prices will fall quite sharply. Unlike Grenoble, however, Val d'Isère has an excellent and extensive ski lift system. It might be worthwhile to wait for a fall in prices. Assuming the Channel Tunnel opens in 1993, it could be just about a year before British appreciation of the area increases.

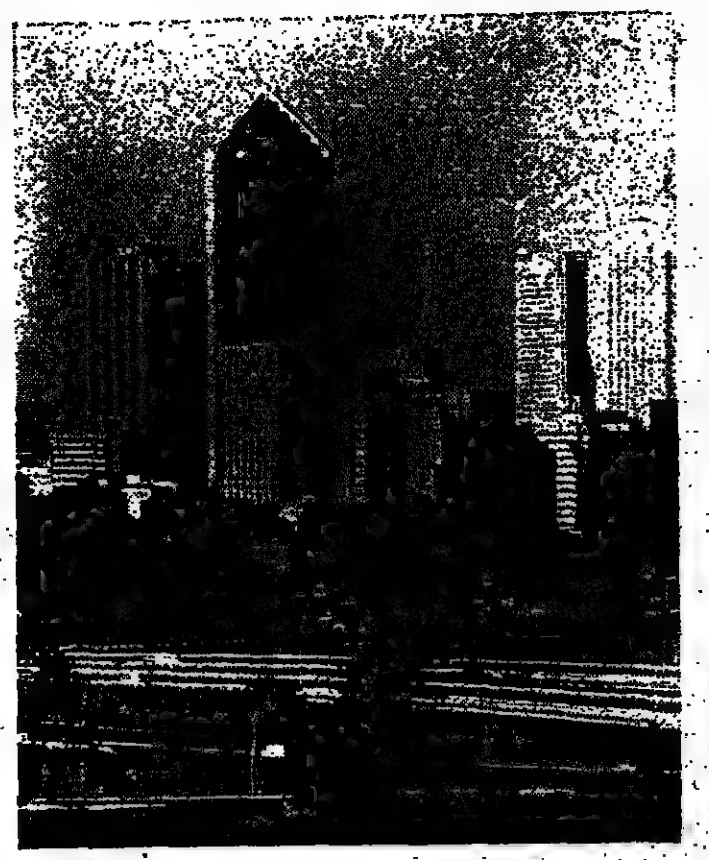
Harry Stone

COUNTRY PROPERTY

INTERNATIONAL PROPERTY

COUNTRY PROPERTY

PROPERTY



Perth — real estate is still cheap there

Living's easy down under

Australia's property market is a buyers' dream, says Hazel Willis

WHEN Britons think of residential property investment, Australia is rarely the first country which springs to mind.

With somewhat restrictive laws on foreign ownership of established property, and with Australia better known for its *sporting and business exploits* than its investment opportunities, the Sunburnt Country remains out of the mainstream residential property investment conversation. But the attractions of this southern hemisphere version of California are many.

The climate and lifestyle continue to attract migrants (more come from the UK than anywhere) and the residential property market is a newcomer's dream.

To understand the Australian residential property market, it is necessary to understand the Australian public expectation of accommodation standards. The average middle-class Australian family home is five to ten years old, single-level, four bedrooms, two bathrooms, with brick and tile construction, on one-fifth of an acre. In Australia's most *expensive city*, Sydney, *such a* home will fetch the equivalent of around £120,000 On the west coast in Perth, the same home will sell at around £75,000.

The upper end of the market is split into two areas – new architect-designed homes, and gracious Colonial Victorian era homes typically surrounded by wide verandas and traditional gardens. Prices in this market range from £200,000 to several million pounds.

At the other end of the spectrum is the rental market – and it is here where the real estate comes remarkably cheap. Even in Australia's two most expensive cities, Melbourne and Sydney, brand new two-bedroom units sell from £65,000, and older units from £50,000. And those prices would have been unheard of five years ago before eastern Australian property prices boomed.

But it is in the Western Australian coastal capital city of Perth (population 1.2m) where the real bargains are to be had. Despite its glorious weather, its beautiful beaches, and its relaxed-yet-vibrant lifestyle, Perth's real estate is among the cheapest of any capital city in the western world. The low-cost factor is something which is taken for granted by people who live in Perth, which largely explains the high percentage of the city's rental property which is owned by out-of-towners.

Clean and modern (ten years old or less) one-bedroom flats and units can be found around the £22,000 mark, and more substantial three-bedroom units sell from around £40,000. Top-of-the-market penthouses boasting sweeping views of the beautiful Perth city skyline, the internationally-envied Swan River and the vast Indian Ocean can be snapped up from around £150,000. Gazumping is unheard of in Perth, where standard offer-and-acceptance forms, once signed by buyer and seller, are legally binding. Gazumping does occur in Sydney and Melbourne which operate under *different State laws.*

Perth's occupancy rate varies from around 95 per cent mid-year to 99 per cent or more during the peak demand period of December to February. The high occupancy rate results from Perth's steady population growth, a factor which is put down to four separate market forces. Firstly, Perth has a strong economy and a healthy natural population growth. Secondly, it has a lot of internal migration from Australia's east coast to the West. This migration has become much stronger in the past five years, largely because of the enormous difference in property prices between east and west. People living in the eastern States are finding they can sell their modest home in Sydney in Melbourne, move to Perth, buy a much more comfortable home, and still pocket thousands of pounds in profit.

Thirdly, Perth has ongoing international migration from people attracted by the city's lifestyle, its climate, its economic and political stability, and its many business opportunities. And finally, Western Australia has a foreign student industry which attracts thousands of short-term renters to Perth every year.

Long-term capital appreciation has proved to be a steady 12 per cent per annum, with some impressive short-term growth in boom years. The year of 1974 saw the median price of Perth residential property jump 43 per cent, while in 1988 the median soared by more than 50 per cent. The median price rose annually, by between one and 25 per cent, in all the years between.

The low entry cost to Australian property and the solid capital appreciation help explain the Australian Government's strict rules on foreign ownership of residential property. The fear is that, if it was exposed to world markets, Australia's low-cost accommodation would disappear forever and possibly put property prices out of reach of the people who live here.

But there are several ways in which Britons can enter the Australian residential market. If you have Australian citizenship; or are entitled to permanent residence in Australia, you will generally have little trouble buying real estate. Britons who do not meet either of these criteria can still buy vacant residential land, as well as home units, townhouses and so on which are under construction. British companies can buy residential property for their senior executives living in Australia, and visitors staying in Australia for more than 12 months can own property during their stay.

The foreign investment rules are standard across the country, although they differ from the rules covering non-residential property and other forms of foreign investment. The foreign investment rules are broadly supported by the Australian community, and are unlikely to change in the near future. But for those who meet the Government criteria, Australia remains an investment land of opportunity.

For details of real estate investment opportunities in Australia, the Sales Director of Blackburne & Co Real Estate, Bob Johnston, can be contacted at Post Office Box 538, West Perth, Western Australia, 6005. Tel: 09-322-6188.

INTERNATIONAL PROPERTY

LONDON PROPERTY

Yes, this is an everyday story of ordinary tubefolk

VINELAND
by Thomas Pynchon
Secker and Warburg £14.95, 385 pages

LIFE IS a larf. Pynchon is such a crazy smartass he should have called his new book "Levity's Rainbow." Who else would cite a Sixties band called Billy Barf and the Vomitones? Only the man who writes "it wasn't just that his folks were vegetarians, they also discriminated *among* vegetables . . ." We are talking here of the land of the Bodhi Dharma Pizza Temple, whose options were all vegetables rigorously organic, on "a stone-ground twelve-grain crust with the lightness and digestibility of a manhole cover," not to mention the lawn-care company owned by the Marquis de Sod, whose slogan, sung to the Marseillaise, begins *A lawn savant, who'll lop a tree-ee-uh* . . . and we are not yet through with page 47.

Plough on, plough on and you are well rewarded, for example with torture by Californian black and hispanic sort-of nuns, the Sisterhood of Kunoichi Attentives, or Ninjettes, who will not stop at "The Ordeal of the Thousand Broadway Show Tunes," which nearly does the trick, or even "The Andrew Lloyd Webber Chamber of -", which the victim can hardly believe possible; or, a big reward, the moment when everyone is awoken at the same hour by "J. S. Bach's 'Wachet Auf'" co-ordinated by a previously planted consignment of sound chips in wristwatches, timers and personal computers, from the Japanese trading company of Tokkata & Fuji. It is time to go to the shopping mall, to buy perfume in the Mall Tease Flacon, and have something at the deli, The Lady 'n' the Lox. Warning: if you telephone Tokyo, don't use Cheapsat, whose economy satellite is not geosynchronous but drifts continually backwards through the heavens, cutting you off. This man should try Madison Avenue.

But what am I on about? Pynchonians can skip this paragraph. Everyone else has to go back 17 years, to *Gravity's Rainbow*, the author's last published novel, which was so hard to read that my guess is few finished it and those who did called it American literature's equivalent of James Joyce's *Ulysses*. Since then scores of books and articles on the real Pynchon have piled up in the universities, not to mention the frequent rewrite of the article about how no one has seen him all this time and no one knows who he really is and how he believes his work speaks for itself so does not give interviews. So old Pynchonians have been expecting *Finnegan's Wake*; newcomers will be

Joe Rogaly finds himself in the company of a charming, dead sexy, deadly, federal prosecutor Brock Vond and a super ninjette — a sort-of nun hired to kill with the Vibrating Palm

relieved to know that what we have is closer to *Dubliners*. A great many of the larfs will be of sheer relief. Rilly.

The first clue as to a probably intended meaning of *Vineland*, if there is one, comes in the first sentence, where you are told that it is 1984. Pynchon is a promiscuous time-traveller, sometimes even in mid-paragraph, but he must have thought that his faded hippies' version of "Amerika" under Nixon and Reagan is the true 1984, not Orwell's. You have here, in place of Big Brother and the two-way TV, the Tube, Tubefreeks, Tubeheads, Tubal fantasies, therapy for the Tubed-out in a Tubaldetox center, where you have to sing the house hymn, *Oh . . . the . . . Tube!/ It's poisoning your brain!* and so on ending . . . *now Th'/Tube-/It's plugged right in, to you!* A character avoids an embarrassing moment thus: "he reached for the Tube, popped it on, fastened himself to the screen and began to feed." A TV set is quoted as co-respondent in a divorce case; children survive by regarding their parents as participants in a sitcom, into which they can step if they choose. The TV cop shows immunise people against constitutional breaches by the real police. Potential good guys sell out to the Tube, with the result that the 1960's Revolution, the whole alternative America, is "el deado meato." You get the picture. It gets you.

There is, thank heavens, a plot, all about how Frenesi Gates, a daughter of true Hollywood socialist radicals, betrays a 1960s commune (The People's Republic of Rock and Roll) after being turned by a charming, dead sexy, deadly, federal prosecutor, Brock Vond, and how a super ninjette, DL, is hired to kill Vond with the Vibrating Palm – you don't feel the touch but you drop dead a year later – but she VP's the wrong man in a Japanese brothel, and . . . as you see, it's an everyday story of ordinary tubefolk.

One of Frenesi's husbands is Zoyd Wheeler; their daughter, Prairie, is parted from Mom when she is two and it takes all of *Vineland* to get them free of Vond's clutches and back together again. This mythical place is in northern north California, among the Redwoods, but you get to go to San Francisco and LA and meet east-coast refugees for whom California's only reality "was to be found in the million ways it failed to be New York." You will understand it best if you know the pop mythology of the past three decades, your *Star Wars, Star Trek, Return of the Jedi*, your Bionic Woman and your Incredible Hulk, your R. Crumb Comix, and why it's funny to talk of "Count Drugula" and "Woody Allen in 'Young Kissinger'".

If you need footnotes, which there aren't, there is still hope if you can think back to the free-loving don't-Bogie-the-joint 1960s whose ambrosial spoonfuls many of us will never regret relishing. But they sweetened a tiny hard centre of real leftists, self-imagined Revolutionaries, who betrayed one another and who have been obliterated during the last two decades. You could see it coming even if you were not on the Coast but, say, in Chicago, 1968 Democratic Convention, where the Tube showed the young being knobkerried by the police and most of America applauded.

"Brock Vond's genius was to have seen in the activities of the sixties left not threats to order but unacknowledged desires for it," writes Pynchon in one of his many straight passages, some of which strike hard but some of which approach Pseud's Corner without actually turning it. "While the Tube was proclaiming youth revolution against parents of all kinds . . . Brock saw the deep . . . need to stay children forever, safe inside some extended national Family."

You have to work a bit, but you get a lot out of this book. Not all of contemporary life, but a pizza it. You also get some soaring passages and in the Thanatoids, dying yet supposing they are alive, pure Swift. I do not know if there is more of value here than a simple cornucopia of wondrous and witty invention. A friend, now someone big in the City, vowed to read all the fiction classics after leaving University. He has done so, but is still wary of contemporary novels. "It is too soon to see whether the one you have just read is or is not twaddle," says he. Precisely. But take a chance and pick up *Vineland*; the larfs alone are worth it.

Other Fiction

Drawn into family sagas

SORT OF RICH
by James Wilcox
Secker & Warburg £14.95, 278 pages

THE OTHER SIDE
by Mary Gordon
Bloomsbury £13.99, 335 pages

MALACHY AND HIS FAMILY
by Carlo Gébler
Hamish Hamilton £12.99, 190 pages

THE BELL BOY
by James Hamilton-Paterson
Hutchinson £11.95, 180 pages

FAMILIES: ALL the week's novels are about them. *Sort Of Rich* is the most satisfying — funny, fast-moving, well crafted; in spite of a large cast you never lose sight of a character or confuse relationships. When Gretchen from Manhattan marries Frank from Louisiana she finds life lonely and puzzling in the big, hideously furnished house full of assorted "helps" who allow their employers no privacy. Treading on many toes, including Frank's, she clings passionately to the belief that she has found true love.

Inconsequential things (mainly to do with Leo, the odd-job man) add up in an almost sinister way; and with questions and characters so numerous, quirky and subtly introduced it seems unlikely they will ever make sense, or that seeming chaos will create a pattern. Yet, near misses and near murders notwithstanding, and a death and some heartbreak, they do.

The subterranean wit of style and irony of eye both temper, and ginger up, the domesticity — a world of lawn mowers, water filters, fish tanks, cholesterol-filled German cooking and much else. At once very light and very serious, it draws one totally into its world and makes one see the way-outness and absurd charm of James Wilcox's Tula Springs, Louisiana.

The Other Side by the generally admirable Mary Gordon turns out to be a thicket of a tale, the untrimmed family saga of the MacNamaras over four generations. Making good in America, the working class Irish are changing from huge cottage tribes to prosperous professionals. Descendants gather at a death bed, the story of each one branching out: divorces, regroupings, misunderstandings, illnesses; social change, some specifically American, some Irish, Catholic, political; little joy or contentment, much skulduggery, hatred and revenge.

Mary Gordon being the observer she is, there are good moments; but the novel is disappointingly formless, too long and too unvaried in tone. It has some fine, if frightening insights, though, into the nature of Irishness, native or transplanted. "Unhappiness was bred into the bone, a message in the blood, a code of weakness," old Vincent MacNamara broods when he visits the Old Country, where pigs and chickens and even children are now displaced by bed-and-breakfast tourists. "The sickle-cell anaemia of the Irish: they had to thwart joy in their lives. You saw it everywhere in Irish history: they wouldn't allow themselves to prosper."

More interchanges between old world and new: in *Malachy and His Family*, an American crosses the Atlantic to meet his father, an Irish labourer who has made good. Its structure is oddly complicated, therefore confusing and psychologically illogical; there are two Malachys, half brothers, one of whom finds and enlarges the other's diary, so that the narrative has no centre; how realistic the seeming realism is meant to be is therefore hard to tell. This is a pity because the writing is agreeable and a suggestive subtext nudges the action along a little faster, a little more interestingly, than it seems to warrant. An easy but not a satisfying read.

The Bell Boy, set in some Far Eastern county, has the Hemony family – hippy mother and two beautiful blond children – turning up to consult a local guru. Laki, the hotel's factotum, becomes a sort of mascot to the family, giving each member what is wanted and hoping rather hopelessly to be taken home with them. When they move on, abruptly and hurtfully, leaving far too large a present, the police seize the loot and beat Laki up. That cultural overlaps and international understanding are impossible seems the bleak message; but the story is always lively, often funny and touching. A novella rather than a novel, it is full of promise.

Isabel Quigly

West Point goes East

VIETNAM'S GRIP on the American consciousness shows little sign of slackening. Fifteen years after the last helicopter lifted off from the US embassy in Saigon, historians, writers, movie-directors and the Vietnam vets themselves continue to ponder the experience of defeat.

This book is a good deal more successful than most because it offers a fresh perspective on the war. Discarding the cheap pathos of Oliver Stone (the creator of *Platoon*) and the empty bravado of the Rambo-brigade, the author chooses to view Vietnam from the vantage point of West Point, the elite US Army academy which counts Custer, Grant, Patton, MacArthur and Eisenhower among its graduates.

The choice is felicitous because West Point's experience is the nation's writ large. West Point suffered the same upheaval and loss of direction that afflicted the country in the late 1960s and 1970s. It suffered not only the shock of defeat, but also a national cheating scandal and the entry of women cadets. With this broader historical canvas in mind, the author, a Pulitzer Prize winning reporter on the *Washington Post*, is fully justified in describing the experience of West Point's class of 1966 as "an American journey."

The story begins at West Point in 1962, shortly after General MacArthur, then 82, delivered his famous valedictory which set out the cadets' "fixed and inviolable mission" to win wars. "The long gray line has never failed us," the General continued. "Were you to do so, a million ghosts in olive drab, in brown khaki, in blue and gray, would rise from their white crosses thundering those magic words: duty, honour, country." Macarthur's bust – and his 1962 speech – still greet the visitor at the Pentagon's Mall Entrance. But, the author argues, the speech marked the high-water mark of American confidence. It failed because it gave little hint of a future where the meaning of words like "mission," "objective" and "winning" were to become so confused as to become incomprehensible to the men fighting in the paddy fields.

Two-thirds of the class of 1966, we learn, were sons of military fathers. They came as close to a warrior caste as can be imaginable in the US. Two-thirds were Protestants; only one per cent were Jewish. "The new cadets smoked less, prayed more, cribbed less, napped more and most wore butch-haircuts or flat-tops . . . Finally, they were largely ignorant of many things, including women, failure and evil."

The loss of American innocence is, again, an age-old theme, but the author succeeds in bringing it to life through the interlocking lives of three classmates. Tom Carhart is the daredevil whose life ambition is to become a four-star general but who seems unable to avoid conflict, even with his closest class-mates in a final showdown over the building of the Vietnam War memorial in Washington DC. Jack Wheeler is the intelligent, somewhat starry-eyed young man who breaks with a long line of soldiers to join first a seminary, then Mothers against Drunk Driving and the Securities and Exchange Commission. George Crocker is the success story, a strong man who survived Vietnam and went on to lead troops in the Grenada invasion and, latterly, the 82nd Airborne.

Some historians have considered the classes of 1966 to 1967 the finest ever assembled by the US. Yet, as Mr Atkinson notes, the collapse occurred with remarkable speed. Desertion and AWOL rates soared, as did heroin addiction. To shore up morale, the military began to hand out medals at such a rate that in 1970 alone more than half a million decorations were awarded, twice the number of US personnel remaining inside the US

THE LONG GRAY LINE: THE AMERICAN JOURNEY OF THE WEST POINT CLASS OF '66
by Rick Atkinson
Collins £15, 592 pages

itself. For the class of 1966, "the chance of being killed in Vietnam was about one in 20; the chance of being wounded about one in six."

Throughout, Mr Atkinson handles his theme and his characters with a rare combination of sympathy and detachment. Like all true reporters, he is sparing in moral judgement, letting an eventful narrative speak for itself. He is an elegant and eloquent writer. The battle scenes – particularly depicting the slaughter at Hill 875 – are as good as you will read anywhere; and there is a memorable portrait of Col Charlie Beckwith, the hard-charging commander of Ranger camp in Florida who went on to lead the unsuccessful effort to rescue American hostages in Iran.

Let the reader be warned: this is a very American book aimed, I suspect, largely at the big (and shortly to grow even bigger) market of retired and serving US armed forces. Though mercifully short of military jargon, it will nevertheless make demands on the foreign reader unfamiliar with Army mores and slang. The conclusion must be that, for all the hurt and the pain, West Point needed a shake-up. It was becoming dangerously like Dotheboys Hall.

Lionel Barber

Age cannot wither her

Anthony Curtis unravels the Cleopatra myth

A 16th century Flemish engraving shows Cleopatra as Eve

CLEOPATRA: HISTORIES, DREAMS AND PERCEPTIONS
by Lucy Hughes-Hallett
Bloomsbury £16.95,338 pages

SOME MYTHS are so necessary that nothing seems able to suppress them, even the fact that we know they are untrue. They survive the most far-reaching changes in taste, social attitudes, political outlook, transforming themselves into new structures with fresh emphases but tied still to the original meagre body of evidence. Such is the myth of Cleopatra, the woman of royal birth who is the epitome of feminine beauty and erotic power, the enslaver of Marc Antony. The Cleopatra myth took off and acquired a vigorous life almost at the same time as the historical events on which it is based and, as this book points out, with which it was from the start at variance.

Few myths have inspired so many poems, plays, novels, portraits, sculptures, ballets, operas. From early historians like Tacitus and Josephus to Plutarch, and then to Boccaccio, Chaucer, Shakespeare, Dryden, Jodelle, Corneille and to Bernard Shaw, and the Hollywood spectaculars in which the Queen of Egypt has been impersonated by Theda Bara, Claudette Colbert, Vivien Leigh and Elizabeth Taylor, the versions must be numbered not in hundreds but in thousands. There was a particularly rich crop in the 19th century when she became identified with the cult of the Orient, including versions by Pushkin, Gautier, Swinburne, Victor Hugo, Rider Haggard, and pictorial representations by Gerome, Moreau and Alma-Tadema. From high art to popular culture, from epic to vaudeville, every available medium has come under her spell.

It was an ambitious, fascinating plan of Lucy Hughes-Hallett's to gather in all this material and to take a long hard look at it. But she is quick to disclaim any suggestion that this is a definitive account. There are as many Cleopatras as there are interpreters; your Cleopatra is as good as mine or Hughes-Hallett's. Having said that, there are a number of points to be made and she makes them cogently, and at great length.

The first, which has been made before by scholars, is that Cleopatra was not an Egyptian, she was a Greek; nor was she a swooning indolent luxury-loving individual indifferent to everything except sex, but an able administrator and a good linguist; nor, to judge from one portrait on a contemporary coin, was she especially beautiful. (That did come as a shock.) The celebrated observation by Pascal that history would have been completely different had Cleopatra's nose been shorter seems to have been plumb wrong. A nose-job might have considerably improved the appearance of the real woman.

But these historical correctives, interesting as they are, represent only the preamble to the main investigation. This is a sustained exercise in deconstruction: the tapestry of the myth, with all its complex cross-weavings over the centuries, is examined through a penetrating 20th century X-ray which shows up the sub-text, the subconscious desires of the interpreters. And rather nasty many of the obsessions that have lumbered poor Cleopatra turn out to be.

As almost all of the innumerable versions have been by men, we have at the end of the day a horrible catalogue of male fantasies centred upon the stereotype of the seductive and destructive female. Hughes-Hallet examines the significance of the different faces of Cleopatra in strict rotation, as mother, martyr, femme fatale, suicide, precocious child (Shaw gave the story this twist), alien, killer and, in our own time, big spender, embodiment of conspicuous consumption.

An English novelist of the inter-war period who is now forgotten, Mary Butts, published *Scenes From the Life of Cleopatra* in 1935, and long before that Charlotte Bronte made Lucy Snow in *Villette* stare at a portrait of Cleopatra and declare: "She has no business to lounge away the noon on a sofa . . ." But Bronte and Butts are among the handful of women who – until Hughes-Hallett came along – have looked at all critically at the myth. Women for the most part have enjoyed participating in it as much as men. Actresses from Rachel and Bernhardt to Vanessa Redgrave and Dame Judi Dench have found here a splendid role. In 1951 Lady Diana Cooper went to a grand costume-ball as Tiepolo's Cleopatra and subsequently used the photograph that Beaton took of her there on her passport.

At the height of the Decadent movement Moreau painted his portrait of Cleopatra now in the Louvre, one of the many illustrations that adorn this book. The Comtesse Greffuhle wrote to him to say she never tired of looking at it, "the marvellous Cleopatra" – and marvellous it is. But Hughes-Hallett only mentions it in passing. The underlying problem in a book of this kind, as the author acknowledges, is that the artistic importance of the works used as evidence tends to be ignored. They are all decoded on equal terms. Shakespeare's *Antony and Cleopatra* is of course included along with everything else but is treated merely in terms of the subversive nature of sexual passion, leaving so much more to be said.

Even so this book must be recommended for its immensely wide sweep of examples and the highly intelligent manner in which they are codified and discussed. And Hughes-Hallett does not forget to consider such popular manifestations as *Carry on Cleo*.

More books on page XX

Vivien Leigh plays Shaw's Cleopatra: a precocious child

News from Ndinji

FILOSOFA'S REPUBLIC
by Thursday Msigwa
Pickwick Books (Box 925, London W2 1FA) £5.95, 123 pages

DR JULIUS K. Nyerere, the erstwhile president of Tanzania who remains chairman of his country's ruling (and only) party, is a remarkable man. He presided over the disastrous implementation of his blueprint for African socialism, with little or no damage to his reputation abroad. To this day Mwalimu ("teacher") pops up on various international committees which seek to put the world to rights. But Mwalimu now has a rival for this role: Dr Cicero B. Nyayaya, the president of the East African state of Ngombia, and known by his people as Filosofa, which is of course the Ngijwi word for Philosopher.

Thursday Msigwa spent a year in Ngombia. On arrival at the seedy harbour city of Ndinji, he received the traditional welcome. "Where are my presents," asked the customs officer, practising his trade under the ubiquitous portrait of a smiling, gap-toothed Brother-President of Ngombia, leader of the Party of the Mutualist Revolution. And Ndinji's Milikinjaro Hotel illustrated one of the travellers' rules of Africa: the least congenial cities boast the most expensive hotels.

But Msigwa is not one of those professional travellers who compile books out of Africa's four D's – debt, drought, disease and disaster. He is a British accountant and Filosofa's Republic is his entertaining report on his year working as the financial controller of a plantation company. It tells us as much about the realities of the continent, whose people have been singularly ill-served by post-independence leaders, as any of the 4-D accounts. He encounters a mad missionary, corrupt party officials, light-fingered servants and a greedy bishop, and discovers that a belief in spirits, benign and malign, is a powerful force in Ngombia.

Unfortunately Msigwa did not meet Nyayaya, whose *Harisha Declaration* inspired a generation of Scandinavian aid-workers. Nonetheless, we learn much about the man. Like Mwalimu, Filosofa has combined probity in his personal life with well-meaning but inept economic policies. Like Mwalimu, he is eloquent and moving in his concern for the poor, but the reality issuing from this compassion is flawed.

Nyayaya's credo – "We should rather be poor but Mutualist than rich but immoral" – reaches beyond Ngombia. Kenneth Kaunda's teachings on "Humanism" owe much to Filosofa's doctrine of "Human Mutualism," while Robert Mugabe may also be under the spell of Filosofa. Human Mutualists call each other "brother". The correct form of address in Tanzania is Ndugu (also "brother") while Zambians and Zimbabweans prefer to call each other "comrade." But this slight terminological difference should not conceal the intellectual link between Messrs Nyerere, Kaunda, Mugabe and Filosofa Cicero B. Nyayaya.

Michael Holman

Science spiced with secrets

REFLECTIONS ON INTELLIGENCE
by R V Jones
Heinemann £19.50,376 pages

FEW BRITISH political leaders have had much scientific training; the present Prime Minister is a rare exception. By the same token many scientists have lived in a world of their own and tend to express themselves in a jargon and gobbledygook which Ministers and officials find hard to follow. As a result the scientists who have influenced national policy have tended to be those who could express themselves in worldly terms — comparing the trajectory of a missile to that of a golf ball, for instance, or the interception of an aircraft to shooting down a pheasant.

The "Prof" — Lord Cherwell — and Professor R.V. Jones of Aberdeen, Director of Scientific Intelligence at the Defence Ministry after the War, knew how to do just that. This gave them the ear of the good and the great while other advisers never broke through the sound barrier. Both might well have been charlatans; luckily for Britain they were both men of the highest principle as well as highly original in their diagnoses and prescriptions.

There is much scientific information in this book, but the lay reader need not be daunted. It is all made easy to follow and spiced with entertaining anecdotes. For students of "Intelligence" this book is a must. That Heinemann's have dared to publish at all can only be because the new Official Secrets act has (curiously) not yet reached the statute book.

The first part of the book deals with the ethics of the Intelligence profession. It has much to say on the Official Secrets act, the Philby and Peter Wright cases and other relevant matters. There are interesting reflections on how far Intelligence should be kept separate from clandestine Operations. Intelligence in World War II and since has depended increasingly on science: on the breaking of enemy codes, the interception of enemy signals and the scientific interpretation of random clues to the secret weapons the other side might be developing. Nevertheless, as R.V. Jones freely admits, there is still scope for the Mata Haris and the cloak and dagger men.

Two intelligence coups played a decisive part in our victory in the Second World War. Thanks to Polish cryptographers and a French security agent we succeeded early in the War in cracking the German codes. From then on we knew exactly what Hitler and his warlords were discussing with each other, their generals in the field, and their scientists. Meanwhile our men in MI5 had rounded up virtually all the German spies in Britain and turned them round to feed false information to their German masters.

The book will be of special interest to readers of R.V. Jones' bestseller *The Most Secret War*. It reveals much that could not be told when that book was first published. Finally there is a highly entertaining story about the "Oslo file." This was a forecast sent anonymously to our naval attaché in Norway in 1939 outlining the principal scientific initiatives which the Germans were taking in the defence field. For a time we suspected that it was a hoax. But its genuine character was established by events. It included forecasts of many secret German weapons including the V1s and V2s. R.V. Jones was always concerned to find out who was the author and why he had written it. His account of the answer is a detective story containing elements of farce and improbable clues that Agatha Christie would have found hard to match. The heroes proved to be a German scientific engineer and an extrovert British businessman.

Jones wanted to secure some recognition for both; but the German scientist had become too important and the British businessman's case went by default. Jones himself has never received proper recognition, but then he is too big a man to care about that.

Julian Amery

Creative people: some biographies and a memoir

An artist who did her own thing

GEORGIA O'KEEFFE: A LIFE
by Roxana Robinson
Bloomsbury £25, 639 pages

BY THE time of her death in 1986 at the age of 98, Georgia O'Keeffe was a legendary figure. A major retrospective in 1970 aroused the interest of a new generation in the life and work of this idiosyncratic but quintessentially American artist. Her support for the suffrage movement, her independence, her financial success and the female sensibility expressed in her work made her an object of homage for the feminist movement. She could not see the point of such adulation, and refused an audience to Gloria Steinem, who turned up on her doorstep in the New Mexican desert with a bunch of roses. A stream of hippies, who admired her simple, organic life-style and the accessibility of her still life and landscape paintings, were also discouraged. O'Keeffe had always "done her own thing," and was supremely indifferent when this made her fashionable – for the second time around.

O'Keeffe first became noticed in the early 1920s in New York, as one of a group of modern American artists promoted by the photographer, Alfred Stieglitz. She was born in 1887 of Irish and Hungarian ancestry on a Wisconsin farm, the second of seven children. While Georgia was studying at the Chicago Art Institute, the family moved south to Williamsburg, hoping the milder climate would benefit their health. The move was a disaster. A good and prosperous farmer, her father failed as a businessman, and her mother died of tuberculosis after a long illness.

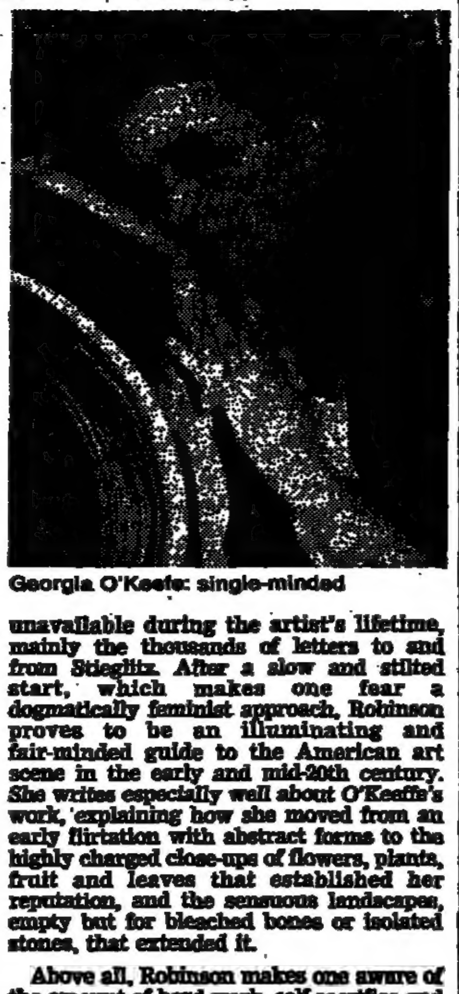
Georgia's studies were interrupted by the decline in the family's fortune, but eventually, with the help of scholarships and a benevolent aunt, she acquired a teaching degree and, coincidentally, good New York connections. While working in remote Texan colleges, she discovered her love of the wide-open landscape of the American West. She worked relentlessly, both at teaching and at her own work, the latter taking precedence over temptations such as dancing and boy-friends.

One set of "specials" (as she called the rare works that pleased her), sent to a girl-friend in New York, ended up in the hands of Alfred Stieglitz. He put them on show at his small but prestigious gallery in 1916 without her knowledge, thus launching both her career as an artist, and a close personal relationship, which led to a difficult but lasting and loving marriage.

Even a staunch feminist like Roxana Robinson can find little fault with Stieglitz professionally. He was the ideal promoter and agent for O'Keeffe's unusual and adventurous work, and had the highest respect for her ability. She also became his favourite model, and his photographic portraits of O'Keeffe, both nude and clothed, added to her fame. She had a strong presence and a striking appearance; black hair pulled back severely from an unmade-up face, perfect posture accentuated by simple black outfits chosen for ease of movement rather than fashion. Later in life, she looked like a highly distinguished squaw.

In 1927 a painting by O'Keeffe of a series of lilies achieved the highest-ever price for a living American artist – $27,000. Such was her industry, and the care taken in managing and promoting her work, that her estate was worth over $50m. It will take until the year 2004 to complete its distribution to charitable institutions.

This is O'Keeffe's first "authorised" biography, undertaken with her family's co-operation and drawing on forces



Georgia O'Keefe: single-minded

unavailable during the artist's lifetime, mainly the thousands of letters to and from Stieglitz. After a slow and stilted start, which makes one fear a dogmatically feminist approach, Robinson proves to be an illuminating and fair-minded guide to the American art scene in the early and mid-20th century. She writes especially well about O'Keeffe's work, explaining how she moved from an early flirtation with abstract forms to the highly charged close-ups of flowers, plants, fruit and leaves that established her reputation, and the sensuous landscapes, empty but for bleached bones or isolated stones, that extended it.

Above all, Robinson makes one aware of the amount of hard work, self-sacrifice and single-minded determination which went into O'Keeffe's long career. Once again, it is proven that hard work and dedication are the factors which distinguish the major artist from the minor.

Alannah Hopkin

Poet, madman, bum and angel

IS ALLEN Ginsberg, poet and political activist, to be revered as the champion of the 1960s American counterculture and the father of a new school of writing, or was he, as one early reviewer suggested of his fellow Beatnik, Jack Kerouac, simply the rabble rouser for a troop of "young men who can't think straight and so hate anyone who can"?

It is almost 40 years since the first reading of *Howl* cast a spell over the discontented flock of the American left and a cloud over Ginsberg's literary contemporaries. Beside him, how tame and stuffy establishment figures like Lionel Trilling, the "scholars of war" and the "fairies of advertising" looked. No wonder that Ginsberg, Kerouac, Gregory Corso and William Burroughs – the original "Beat" quartet – stirred up the hipsters in the tranquillised 1950s with their optimistic offer of the bop apocalypse, the jazzy rhythms of downtown street talk holding promise as weapons to hurl against "the harsh wall of America."

As one who fell under the spell, Barry Miles, author of a new biography of Ginsberg, can hardly be expected to give an objective assessment of the poet. His slavishly detailed and warmly respectful account veers towards cultural history rather than literary criticism; here is Ginsberg in his milieu, on the road, raw-nerved, gathering kicks as he rushes back and forth across the country and later, when he is famous, around the world – in pursuit of a revolutionary guru here, a new hallucinogen there.

Was the real journey inward? Miles is excellent on Ginsberg's early years, rightly tracing a fascinated affection for "madman bum and angel" to his need to justify his love for his mother, Naomi, a Russian emigre turned communist who spent most of Allen's youth in and out of psychiatric hospitals. Eventually his long-suffering father Louis, the poet laureate of their home town, divorced her and responsibility for her fate fell on Allen, who authorised her lobotomy and wrote his best poem, *Kaddish*, the Jewish prayer of mourning, after she died.

"Is he a poet by nature or nurture? Both I think" Louis reflected many years later. By the time Allen reached Colombia, he was drawn to an inner circle of earnest poets-to-be, homosexuals, mostly, like himself. They were led by Burroughs and fleshed out by the junkies and petty thieves whose lives Burroughs was studying.

In anecdotal mood, Miles is a delight, and it is not his fault if half way through this book his stories begin to pall. The trouble is that neither Ginsberg's life nor his poems have developed beyond what was achieved in his thirties, and while one account of his stripping in public – say, the occa-

ALLAN GINSBERG: A BIOGRAPHY
by Barry Miles
Viking £20, 588 pages

sion of a party with the Beatles, who left in disgust muttering "You don't do that in front of the birds" – provokes a smile, it is hard not to start skim-reading after a while, fruitlessly hoping for something to break up the sameness of the drugs-orgy-write-a-poem syndrome.

But what is really interesting about Ginsberg, and what Miles sadly fails to address, is his caution, his very sanity. This has not only meant that he has survived while friends and lovers like Kerouac and Cassady drank and drugged themselves to death; it has also given his best writing an artful edge theirs never had. "Never rewrite" was Kerouac's motto, but Ginsberg managed to combine the truthfulness and immediacy that has made his work so popular, with an eloquence that has clearly been worked at.

His liquid flow of emotion, his merging of public and private lives on the page, makes for fine performances – and Ginsberg has if nothing else restored poetry to its place as a spoken form, cajoling, screaming, sobbing as he reads with all the fervour of a wandering minstrel. But it does little for anyone coming back for a second helping. There simply is no hidden meaning beneath the surface, nothing hard-won about this upfront assault on the imagination.

As far as the biography is concerned, a life of so very autobiographical an artist should be valuable but is curiously redundant. It is as if there is nothing more to Ginsberg than his poems let on, and nothing more to his poems than a painfully honest account of a moderately painful life.

Jackie Wullschlager

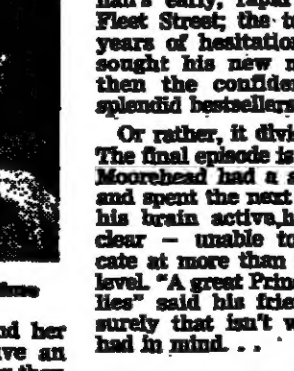
Wordsmith of war and more

ALAN MOOREHEAD
by Tom Pocock
The Bodley Head £16.95, 311 pages

"One sees what one sees best oneself" said Jung, which explains why this biography of the author and journalist Alan Moorehead is curiously disproportioned. Tom Pocock was a war correspondent as a very young man; he dwells at length on Moorehead's career as Expressman in the war years and gives only a brisk couple of chapters to the longer period when Moorehead was supreme in his second career – author of *Gallipoli*, *No Room in the Ark*, *The White Nile*, *The Blue Nile*, *The Fatal Impact*, and so on. This seems to me a mistake: Moorehead was evidently one of the best war correspondents of all time, but his books will be remembered, and reprinted, long after the Express is gone.

With that proviso, this biography is well done. Pocock has been able to draw on the cooperation of the family, the late Lucy Moorehead's lifelong letters from her husband and Moorehead's own journals as well as the newspaper cuttings to tell the tale of this master wordsmith from Down Under.

War correspondents have a licence to romanticise their trade and Pocock gives us an awful lot of the glamorous side of the last war as relished by "The Trio" (Moorehead, Christopher Buckley of the *Telegraph*, and Alexander Clifford of the *Mail*). It's meant to sound a great life and perhaps it was – parts of it. The role of these men – the importance of their daily news coverage of the fighting – is hard to recapture, nearly 50 years later in an



Alan Moorehead in wartime

age when Kate Adie and her unsung cameramen have an impact immensely greater than any of today's print reporters.

For this reason I would have been glad to have more and fuller examples of Moorehead's actual reporting. We are assured he was the best. So how good was best?

The man emerges sympathetically – charming, flirtatious, sociable, short, depressive, introspective – his family even better. His career seems to divide in three: the Australian's early, rapid success in Fleet Street; the ten post-war years of hesitation while he sought his new metier; and then the confident flow of splendid bestsellers.

Or rather, it divides in four. The final episode is deeply sad. Moorehead had a stroke at 56 and spent the next 17 years – his brain active, his memory clear – unable to communicate at more than the crudest level. "A great Prince in prison lies" said his friends – but surely that isn't what Donne had in mind . . .

J.D.F. Jones

West Briton view

DOWNSTART: THE AUTOBIOGRAPHY OF BRIAN INGLIS
Chatto & Windus £15.95, 298 pages

THE LIFE of Brian Inglis has become less interesting as it has gone on. He was born with a promising start: Anglo-Irish, parents spending most of their time in India, prep school at the Dragon, then on to Shrewsbury and most of the holidays in Ireland. He went to Magdalen College, Oxford, had a brief (unpaid) spell at the *Irish Times* before doing most of his war service in flying boats and then returning to the *Irish Times*.

Afterwards he did such boring jobs as editing *The Spectator* during the large part of Sir Ian Gilmour's proprietorship and presiding over a television series called *All Our Yesterdays*. Latterly, he specialised in writing about parascience, in his case the relationship between psychology and medicine.

If that sounds a bit of a parody, it is because there is an almost invariable law about autobiographies: the early part is nearly always better than the later part. The explanation is that the autobiographer has something to tell about the early life that was not previously known. On the reasonable assumption that the writer has become a public figure, much of the rest is known already.

The first parts – indeed, almost the first two-thirds – of Inglis's book are fascinating, even if some of the stories have already been told in the author's earlier book, *West Briton*. The term has long ceased to be used, but it is the equivalent of North Briton among the Scots: a Briton not from England, yet ready to accept the British system, if given a real role in it.

Inglis grew up when Ireland was turning to a more aggressive nationalism. "For a time," he notes, "I was to begin to feel Irish in England more than I felt Irish in Ireland, where the 'Anglo' element prevailed."

The Anti-British sentiment in Ireland, however, was not universal. Inglis records several occasions when the *Irish Times* managed to get its pro-allied views through the censors during the Second World war. The chapters on the *Irish Times* and its editor, Robert Maire Smyllie, are the best in the book and could stand on their own.

Even on his way to Fleet Street, Inglis was still full of anecdotes. He went to write for the *Daily Sketch* where the editor, Herbert Gunn, could not understand why his young theatre critic, Kenneth Tynan, should have accepted an offer to move to the *Observer*. Gunn could not conceive that the possibility of writing 1,000 word reviews rather than compressing them into 200 would make it worth it alone. Still less could he accept that the *Observer* could be considered more prestigious than the *Sketch*.

Then came the *Spectator* and Suez, where the paper opposed the Government's policy, the 1959 general election where it declined to support the Conservatives and ultimately Gilmour's decision – seen by Inglis as a betrayal – to seek to become a Tory MP.

Certainly the paper flourished under Inglis's editorship. But the trouble with this story is that all of it is known and has been told many times. Inglis adds nothing and omits quite a lot. Still, the first 200 pages are worth reading for the tales and impressions of the young West Briton.

Malcolm Rutherford

The forgotten men of music

Antony Thorncroft reports on the bizarre world of musical royalties

WILL performances of music by Rakhmaninov disappear from our concert halls to be replaced by yet another rendition of Chaikovsky's "1812"? Will Maxwell Davies' latest concerto give way to one more Mahler symphony? Well, perhaps.

Tough negotiations are currently taking place between the Performing Rights Society and the proprietors of our leading halls, led by the South Bank Centre, which could transform the musical diet of the nation. The PRS is the composers "trade union," which has the task of ensuring that working composers, plus their publishers, get their financial due from every performance of their music.

It is now trying to do something for the classical composers in its ranks, an impoverished, rather troublesome, group of around 1,600. Some, like Sir Michael Tippett and the beneficiaries of the late Benjamin Britten, receive cheques into five figures, but around a thousand classical composers earn on average less than £30 a year from their creative output. The PRS has launched a campaign to raise their royalties; the proprietors, and concert promoters, argue that the increases are so savage that they will be forced to cut back on contemporary classical music, replacing it with the work of composers safely out of copyright.

This is a world of complicated formulae and daft economics. Perhaps the daftest fact is that, currently, the PRS collects just over £300,000 a year in royalties from the performance of contemporary classical music but spends over £700,000 a year in administration costs in this sector. To make some sense of it all "pop" composers, who receive over £70m a year in royalties, have traditionally subsidised their less market conscious brothers. This enables the PRS to the pay out almost £1m a year to the classical composers.

Now the pop people are rebelling, and the PRS is trying to raise the £1m directly, through higher charges. It points out that, compared with other European nations, its tariff is very low – in Holland, for example, classical music royalties are twice as high as those collected by the PRS. Ironically if the the PRS gets its way the actual pay-out to classical composers will hardly increase, but some sort of rough justice will have triumphed.

So far the negotiations are running true to type. Deadlines are being pushed back, compromises mooted. The PRS offered a choice of formulae to the concert halls but it was seeking in some cases a fourfold increase in royalties. This has been reduced slightly and the time for talking extended. Both sides want to avoid the costly and time consuming final solution: referring the dispute to the Copyright Tribunal for independent arbitration.

The South Bank Centre, with its three concert halls, is leading the defence. In the past it has paid an annual flat rate charge to the PRS which this season is just over £80,000. It has absorbed the cost and not passed it on to concert promoters. If it must pay according to the new formulae its costs will increase to over £300,000 a year and it would be forced to pass on the extra charge to promoters.

This means that the promoter of a typical Festival Hall concert containing music subject to royalties, which might bring in £20,000 at the box office, will have to find an extra £1,200 for the PRS, as against the £200 current royalty absorbed by the South Bank. This will lead either to higher ticket prices – or to concerts avoiding copyright music.

It comes at a bad time. Concert audiences are beginning to falter and money worries may well force them to be more selective, reducing further the already small audience for concerts of contemporary music.

The major orchestras, and the groups that concentrate on playing contemporary music, like the Nash Ensemble, cannot afford to cut back on copyright material. These days the size of their grant for each concert from the Arts Council, or Regional Arts Association, tends to be linked in size to the amount of experimental, non populist, music they perform.

However, the Arts Council finds itself in a dilemma – it believes that composers are the forgotten men, and women, of contemporary music making, but it is well aware of the financial risks promoters take in staging concerts of their music. Its resources are limited; but its known commitment to new music makes it appear the likely financial solution in the tussle between the PRS and the hall owners. Its answer is that it will not provide the extra cash to bridge the gap, but suggests that any extra payments be phased in over a longer period.

The commercial promoters, like Raymond Gubbay, may well concoct programmes with little, or no, music liable to royalties, especially as it tends to reduce the size of audiences.

The gap between the concert hall owners, and promoters, and the Performing Rights Society has shrunk to around £100,000, a sum small enough for a deal to be struck. The PRS has promised that if an agreement can be reached it will not seek any more changes for ten years. The whole exercise is hardly worth its time, but, having managed to improve the rates for its pop clients, it was honour bound to look after "serious" composers.

If it has the energy after this battle it intends to turn its attention to the real underclass – jazz composers and those linked with them, the composers of light classical music. These are the real stragglers, with royalties around half those achieved by the classical composers. They can get by if they write for television and radio, but their earnings from live performances are really not worth collecting.

In the bizarre world of musical royalties decisions have to be taken as to what is classical and what light classical. A chorus from *The Messiah*, for example, qualifies as "classical;" the adagio from *Spartacus* as "light classical," and thus worth less. The scope for prolonged negotiations seems considerable, especially if the European Commission decides that there should be one royalty system to cover the myriad of arrangements currently confusing audiences, promoters and composers, here and abroad.

An appetite for Irish art

Homan Potterton finds a hot ticket in the Dublin salerooms

WHEN MORE than I£300,000 was paid for a picture by Jack B Yeats in the Adam Salerooms, Dublin, last year, the news was reported in the world's press from Tralee to Tokyo. It was a record for a Yeats and indeed the highest sum ever paid for a painting by an Irish artist.

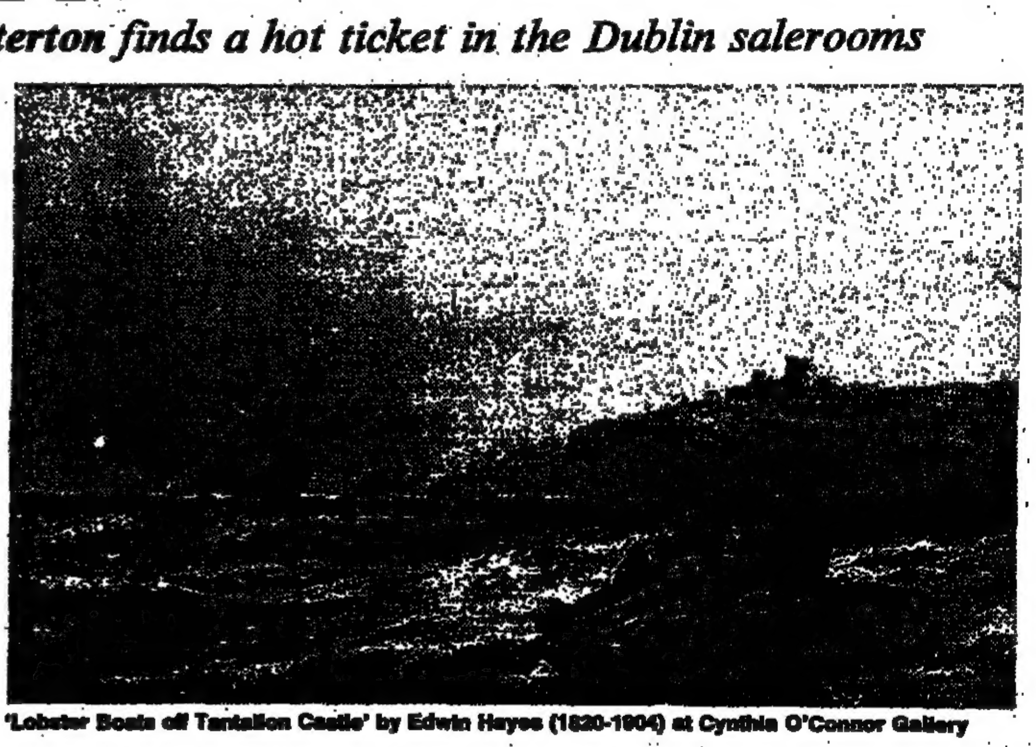
It is not all that long ago since people outside Ireland would have been hard put to name any Irish painter other than Yeats; but in the past decade Irish art of the early 20th century has become a hot ticket and prices have escalated accordingly. Needless to say Christie's, Sotheby's and Phillip's in London have got in on the action: last year Christie's went so far as to hold two sales of Irish art in Ireland, but Adam's, who have been in the business for more than 100 years, have the edge – even if they seem slightly bewildered that their auctions all now top the £1m mark.

The work of Jack Yeats has always been popular and although he was fairly productive, his prices have always held up; but it is only very recently that they have regularly been in six figures. Brian Coyle, of Adam's believes that a Yeats could fetch £1m before the century is over: "There could be a million in him," he said.

The market for other Irish painters has been interesting to observe. In the 1960s, the 19th century landscape painters, James Arthur O'Connor and William Sadler, were names that people talked about. Now, no one is much impressed and their prices are very modest: about £15,000-£20,000 for a good O'Connor, much less for a Sadler.

By contrast, artists who a few years ago were hardly regarded as artists at all – mainly because they were still alive and in Ireland one has to be dead to be respected – all fetch hefty prices today. In this group one would include James Humbert Craig, William Leech, Letitia Hamilton, Maurice Wilks, Mary Swanzy, James Le Jeune, George Campbell, Maurice MacGonigal and Frank McKelvey. The work of any of these painters can be expected to fetch anything between £10,000 and £50,000, but it is McKelvey's prices which have in the past year been so astonishing.

His pictures are pleasant enough and generally depict a person or two, some sun and a little rain: McKelvey only worked when the weather was "soft." The Irish farmyard was to this artist what the Connemara cottage was to Paul Henry: a source of endless fascination. He died in 1974. Suddenly, in March last year, one of his canvases sold at Adam's for £35,200. Two months later Christie's sold a pretty river scene for £26,400 and in the same sale some chickens went for £24,200 and ducks for £18,500. In June, Adam's established the record with £46,000 for swans while more chickens went for £35,300 at Christie's in October. Then the market cooled, and three of McKelvey's painting failed to reach their reserves at Adam's in December where the top price of one of his works was £22,000.



'Lobster Boats off Tantallon Castle' by Edwin Hayes (1820-1904) at Cynthia O'Connor Gallery

In a different category, there are other artists whose work has always sold well but whose prices have rocketed in the past decade: Walter Osborne, Nathaniel Home, the Younger, Paul Henry, Roderic O'Conor, William Orpen, and John Lavery are in this bracket. A good Osborne would have sold for about £10,000 in 1980. Today it could be £100,000 and the same would be true for the other painters. The top price for a Paul Henry at Christie's May sale in Dublin, a fairly typical "cottages in the West of Ireland" was £18,700; but by the time of their October auction two of his pictures fetched £35,300 and £44,000 respectively. Two months later Adam's established a new record for the artist when they sold a Connemara landscape for £63,800.

And who are the collectors with such an appetite for Irish art? Some are the Irish in Britain, others the Irish in America but the majority are the Irish in Ireland itself – often the tycoon Irish: it was Michael Smurfit who bought the record Yeats.

One is, however, unlikely to find Smurfit and his ilk queuing for three days before a sale opens at The Gorry Gallery in Dublin's Molesworth Street. That is the phenomenal practice of a host of ordinary collectors who know that many of the best Irish pictures currently available will be found there. The same collectors will be found buying at The Cynthia O'Connor Gallery in Duke Street or at the recently established Taylor de Veres Art Auctions in Dawson Street.

The mood in Dublin is that prices for Irish art are set to continue rising. At the moment interest is mainly concentrated on pictures painted during the 50 years, 1900 to 1950; but inevitably, as the sums paid for these works spiral, collectors will broaden their interest. By international standards Contemporary Irish Art is very cheap and there is a large stable of young talent just waiting to be discovered.

In the meantime, 18th and 19th century Irish pictures are still relatively under-priced and Robert Goff of The Cynthia O'Connor Gallery detects that "interest is beginning to filter back to this area." In the not too distant future we may hear more of James Arthur O'Connor; and not just him but such other under-valued 19th century painters as John Henry Campbell, Jeremiah Hodges Mulcahy, Edwin Hayes, Matthew Kendrick and John Faulkner.

ARTS

Night of epic splendour

Max Loppert reviews 'Prince Igor' at Covent Garden

BORODIN'S marvellous opera has been revived at Covent Garden after an interval of more than half a century, largely complete (with the notable provision of the often-cut Act 3) and at length (the performance lasts, with intervals, nearly four-and-a-half hours). That is all good news – and so, in important ways, is the performance.

There have been alarms and excursions on the way to the opening performance, above all the dispute within the ballet company which led to the abandonment of the specially commissioned new second-act ballet (see Clement Crisp below). Their effect was tangible: it was by no means the most "together" of Royal Opera first nights, and one can confidently predict more ardour in Bernard Haitink's conducting, more incisiveness of delivery from the orchestra, and much sturdier ensemble from the chorus later in the run.

But already the production reveals a work, probably all but unknown to most in the audience, of grandeur, of largeness of scale and substance, of theatrical vision not just unusual (by conventional measurement) but elevated. The reputation *Prince Igor* bears – in the West, at least – as one of the more exotic and irrational of operatic entertainments suffered a telling blow on Thursday.

In these columns last weekend Roland John Wiley offered an admirably lucid account of the way the opera was written – over many years, and subject to endless interruptions and delays – and its fragmented condition after Borodin's death (the completion and performing version were left to Glazunov and Rimsky-Korsakov). It is one of the mysteries of the medium that a work so complicated in its genesis, so simple in plot-line and at the same time so full of narrative loose ends, should come across in epic splendour.

With the glow of Thursday evening still warm in the memory one must insist that the basic musical material carries within it a coherence that survives all plot discontinuities; also that Borodin's whole dramatic method – in Wiley's words, "successive and composite rather than progressive and logically coherent" – achieves something that is, in fact, profoundly operatic. This is not a play with music, not a tidy theatrical package with musical trimmings, but a rare convocation of all of opera's rich and various means (dance included) to create an unrepeatable dramatic experience.

Prince Igor is one of the great war epics. In its succession of tableaux it seems to sum up, indeed, with poetic variousness what war has meant to man across time: themes of heroic endeavour and brute violence, proud energy and hopelessness, high romantic passion and low greed, constancy and political deviousness, are embodied in each of the principal personages and span the opera's two opposed worlds, Russian and Tartar. What it needs, therefore, is a cast of principals who can hold the stage with "emblematic" power of voice and personality.

It is a (somewhat rare) pleasure to be able to congratulate the Royal Opera on its casting: this *Prince Igor* offers London some of the most full-blooded operatic performances in recent times – old-fashioned, maybe, and absolutely none the worse for that. This is at once an evening of International Opera triumphant – oh the miracle of glasnost, that three leading Russians, two Bulgarians and a Georgian have landed on the same British stage! – and an evening of its exact opposite. To hear the "original language" sung with bite, dramatic intensity, and confident control of meaning by singers who know how and why they should do so reminds us what nowadays International Opera almost always lacks.

Sergey Leiferkus in the title role, a baritone with a Lieder-singer's acuteness in his utterance and an actor of tremendous focussed intensity, and Anna Tomowa-Sintow (her soprano opening out into the house with quite glorious amplitude and lustre) as his wife Yaroslavna command the stage, the opera, and the evening: Ulysses and Penelope in unfamiliar dress, touching our emotions to their core because of the unstinted nobility of their art.

Paata Burchuladze, not the tidiest or subtlest of basses, makes Konchak a figure of larger-than-life vitality; the huge voice, the bull-like figure, and the bold mixture of carrot and stick in his characterisation are simply sensational. Yelena Zaremba (British debut) as his daughter steals all hearts with her tall, slim presence and rich-hued, agile mezzo; that fine tenor Alexey Steblyanko seemed on Thursday to find the high climaxes of Vladimir's music a little steep, but will surely recover form. Nicola Ghiuselev as the debauched Galitsky also sounds a touch drier than usual, though the individual roll of his bass contrasts well with Burchuladze's. From the home team Robin Leggate (Ovlur) and Gillian Webster (Polovstian girl) hold their own in small parts.

About Andrei Serban's staging I have mixed feelings. Plainly, the spectacle "works," since otherwise the leading performances praised above would not have been able to register their dominant impact. Livin Ciulei's (rather hideous) stripped-pine set can be varied with considerable dexterity; the production is practicable, without undue pauses or stumbles. But there is, I find, a continual clutter of detail (little vignettes for raped maidens, much draping-about of bare-breasted Polovstian women, and so on) that could be scraped away with no loss.

The visual tone of Deirdre Clancy's costumes is surprisingly coarse. In the finale – that curiously affecting, downbeat ending – Serban indulges in a touch of "relevance," not very effective, by mixing period and 20th-century costumes; the treatment of the comic peasant rogues Yeroshka and Skula (Francis Egerton and Eric Garrett) is facetious and unidiomatic.

No matter: the most important things about this *Prince Igor* have been got right, and they make for an exhilarating evening at Covent Garden.

Alastair Muir

Sergey Leiferkus as Prince Igor in Andrei Serban's new production of Borodin's masterpiece

Polovtsian warriors dance on

AFTER THE alarms and excursions of the Royal Ballet's pay dispute in recent weeks, the Polovtsian warriors, maidens and their slaves were in place on Thursday night. Not in the new choreography scheduled from David Bintley, but in a version of the Fokine dances adapted by Christopher Newton from the Royal Ballet's 1965 *staging*.

Let it be *said at once* that the company deserves every commendation for getting the dances to the stage in five days. And be it *further noted* that the space allotted by the production is not calculated to encourage that ferocity and earthy vigour which has ever been the essential quality of Fokine's choreography. What should be a barbaric mêlée of warriors appears almost demure as a mere six chaps leap in the wake of Stephen Jefferies, their leader. They are in no way helped by gimcrack costuming, whose vulgarity for most of the dancers suggests that there are rich deposits of gold lamé on the steppes. This cabaret aspect is as serious a problem as the constricted dance-space: the score, like the choreography, speaks of wild splendours we do not see, but which were grandly evident in Roerich's designs for the Ballet Russe.

Mr Newton has trimmed and edited the Fokine text with skill – the dance of the Polovtsian boys is very effective: what remains is to inculcate something more weighty and more elemental into the performance manner, and to provide costumes that enhance rather than minimise the dancers' identities.

Clement Crisp

Video

Murder served up nicely

THE DISH of the month is murder and the chef will prepare it for you *a choix*. In David Lynch's *Twin Peaks* it comes beheaded and wrapped in plastic, in a tale of serial slaughter in a Montana timber town. In Peter Greenaway's *The Cook, The Thief, His Wife And Her Lover* (Palace), it is lovingly prepared by a French cook for a cannibal dinner. And in *Child's Play* (MGM/UA) and *Dressed To Kill* (Virgin), a living doll and a transvestite doctor are the screen's respective blood-basters.

Astonishing the way we human beings enjoy fine murders like fine food. With one proviso: that it be spectacle rather than first-hand experience. Even I, for example, though driven to violent thoughts by my recent Rumbelows dealings (thank you for your letters, I now have my television back in working order), have preferred the pen to the sword when dealing with such arch-enemies of our time as TV rental companies.

Artists, however, enfranchised by fiction, feel free to imagine all manner of beastly dispatch. *Twin Peaks*, a scoop for the British video market, is the first film by director David Lynch since his brilliant *Blue Velvet*. It was made as the pilot for an American TV series to which distinguished film-makers will each contribute an episode. The fictional town of Twin Peaks, Montana, is the common setting, a place traumatised in Lynch's film by a series of brutal killings of young girls.

Whodunit? Police chief Michael Ontkean ponders, FBI man Kyle McLachlan drives up from Washington to help, and the screen is awash with menace and mystery. As in *Blue Velvet, what frightens is* the way no one plays by the rules of movie character or convention. Mothers unhinged by grief seem as wild as the roaming killer; a police photographer weeps at murder scenes; model citizens prove to be double-dealers; and the villain's final unmasking is unexpected, grotesque and almost farcical.

As if enough bloodstained carpets had not been pulled from under our feet, Lynch provides a surreal, extraordinary epilogue "25 years later." It involves Mr McLachlan, a midget and a young lady returned from the dead. What they say – and more interestingly how they say it – I shall leave you to discover. *Twin Peaks* is a wonderful thriller and much much more: an analysis of the worm-in-the-woodwork in small-town America.

Peter Greenaway's tale of sex, food and murder, *The Cook, The Thief, His Wife And Her Lover*, has already been praised in these pages. Enough to say here: if you missed it on the large screen, seize your chance on the small. Brian DePalma's *Dressed To Kill* is a shiveringly stylish murder spree from the director of *The Untouchables* and *Casualties Of War*. (*Few suspense* scenes better that in which murder quarry Angie Dickinson is stalked through the eye-teasing maze *of an* art gallery). And *Child's Play*, directed by Tom Holland, is a merrily macabre treat: the tale of a child's doll that comes murderously to life, undeterred even by missing batteries.

In a month where death has so much dominion, how heartening to see Castle/Hendring Video bringing out a series of Lifetime Achievement Award ceremonies from *Hollywood. The American Film* Institute's star-studded galas in honour of Jack Lemmon, John Huston and others are full of wit, wisdom, reminiscence and golden movie clips.

While we loiter in Memory Lane, please note that CBS/Fox Video are bringing out enticing movie clusters under names like "The Cult Collection," "Horror Collection" and "British Comedy Collection." "Modern Classics," the best cluster, offers you a choice four-pack of Herzog's *Nosferatu*, Fellini's *Casanova*, Bob Fosse's *All That Jazz* and – that film again – David Lynch's *Blue Velvet*.

Finally and formidably: Spike Lee's *Do The Right Thing* (CIC). Races clash in midsummer Brooklyn in the best cautionary tale about race *relations* produced in the late 1980s. No heroes, no villains, no solutions. Just a blaze of truth in which comedy and tragedy wrestle for survival.

Nigel Andrews

Radio

Fairy tale for grown-ups

THERE ARE 30,000 new words in the Oxford Dictionary, said Alistair Cooke in his *Letter from America*, and then used the word "docudrama" as if it were part of the language. There is one word that has been in the Oxford Dictionary for decades that I am still dubious about seeing printed here, even electronically.

It occurs several times in Dave Dick's play *A Pig's Whisper* (Radio 3, Tuesday), but I shall just use it once to show its context. Anne (Ann Mitchell) in the play was born at the same moment as a pig without an arsehole. She should have been a boy ("a farmer has to have a son"), so she reckoned that she and the pig both had something missing. The pig was corrected with a knife, Anne matured to run the Pier Hotel without much help from her family.

There's little narrative in the play, just Anne's family life on her 50th birthday, though time shifts sometimes to her childhood. She has ordered a "do," but now lies in bed while her son does the work. There is talk with her mother, her father and her grandfather (some in tetrameters) but this merely adds detail to the picture – the flood that drowned her husband, the great-grandfather's fortune on the Yukon lost in a shipwreck, and so on. The ambience is attractively drawn, Jeremy Mortimer has directed colourfully, but I suspect the play is easier to follow on paper than on the air.

Radio 4's Monday play, Sheila Yeger's *Yellow Ochre*, has more varied content, yet is a simpler play. Ruth (Sarah Badel), at an Israeli airport, has no idea where she wants to go, but decides on Jerusalem. She is not so silly as she sounds; she has a handicap, she hears in her head the voice of her young son Timmy. We learn later that she is in Israel in flight from England, where her husband has divorced her and got custody of the boy.

Much in Jerusalem provokes, and cures, her constant weeping. A strange woman leads her to a decent room run by the pleasant Rifka (Leslee Udwin). A nice young man, Dov (Ben Yeger, the author's son), wants to be taught English. The first woman, Anna (Ruth Posner), is slightly crazy but has a studio where she paints endless pictures of the Madonna and Child.

She is a survivor of a concentration camp. Dov's brother was killed in the Yom Kippur war. Ruth learns from her friendly tour round Jerusalem that she must learn to live with her troubles and become a useful person. The play is a happy guide to Jerusalem, indeed in an optimistic way to Israel, for nothing nasty happens and the cast contains both Arab-Israeli and Jewish-Israeli players. Kay Patrick directed.

That Hideous Strength, by C.S.Lewis is Radio 4's next "classic serial" on Friday afternoons. Lewis called it a "fairy tale for grown-ups." The first part of four, skilfully dramatised by Stephen Mallatratt, is as scary as Grimm, as unlikely as Perrault. It begins with a nightmare, horribly portrayed by Kathrynn Hurlbutt, who is Jane, wife of Mark, a Fellow of imaginary Bracton College. She is advised to talk about her dream to a Miss Ironwood.

While she is doing so, we learn that Bragdon Wood, in the college grounds, is to be sold to the National Institute for Co-ordinated Experiment, a fascist outfit designed to "correct the balance of nature." Mark (Andrew Wincott), a sociologist, is invited to join this sinister group, for society is to be revised. *How* is not yet clear. Experiments on criminals, naturally; but the mad Rev. Straik says the Kingdom of God is to be established *here*. And yet the reason why NICE (!) is buying the wood is because it contains a well where Merlin may be buried.

Miss Ironwood, of course, is one of Them, and Jane will have none of her. Demolition, to machine-gun accompaniment, has begun almost as soon as she is home, and the instalment ends with what sounds like a massacre. Not so much a fairy-tale for grown-ups, surely, as a political thriller for children. Nigel Bryant directs.

B.A. Young

CHESS No. 808

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Sculpture tailored from the countryside

William Packer on the work of Richard Long and Roger Ackling

TO ANYONE who supposed my disapproval of Richard Long's conspicuous failure to receive his Turner Prize last November extended beyond the event, I am delighted to commend three current shows of his work. The first, the large Slate Circle of 1979, sits in the central Rotunda of Tate in the splendidly re-arranged display. The two current one-man shows, at the Arnolfini in Bristol (16 Narrow Quay: until February 25) and at all three of Anthony d'Offay's London galleries (9, 21 & 23 Dering Street W1: until February 24) fix only on Long's work of the past 18 months, in its several aspects: the stone circles and lines, the texts, the photographs, the splashes. Only the large mud drawings are reserved to Bristol.

As always, the sculptures are tailored to the particular rooms they occupy, each work not merely existing in its physical presence, in its weight and texture and colour, but informing and qualifying the whole space that we, too, must move into and share. The sensation is extraordinarily direct, the more so perhaps for being worked by such apparently simple means, the mere laying out of a mass of undressed chunks of stone in various basic conformations upon the floor.

Most remarkable in this way is the huge Turf Circle. This occupies the largest of the Arnolfini's spaces, a space interrupted and constricted by two substantial internal pillars. But Long's circle now embraces and absorbs them to such peculiar effect that while they by no means disappear, they no longer dominate in their usual way; I have never known the room seem so broad, open, and whole.

Long is now experimenting more freely than for some time past, the sculptures more variously and positively seductive to the imagination, with their spiky red slate, or soft white onyx, or bright green quartz. Where the experiment has been less successful is with what Long calls his Water Lines. Here he has yet to devise the simple, essential structure that defines even the freest of his mud drawings on the wall. A bucketful or two of white china clay thrown across the floor, as at Dering Street, as yet seems mere self-indulgence or self-delusion. The more refined the means, the more necessary the discipline, for it is the greatest heresy to believe that every gesture of the artist is significant. Long's preciosity and inclination to self-importance are abiding weaknesses.

The texts, however, grow more impressive and seem now so much more convincing a record and product of Long's prodigious treks into the wilderness than the admittedly beautiful photographs on which he used to rely. Much of the old archness, the false poeticising, has given way to the more rigorous structures and disciplines of a truer poetry. And, less self-conscious, the wit rings truer. "Kicking Stones" takes him through Ireland, noting incidents and objects on the way, including scraps of conversation set out in counter-point column down the page: "There's Tully's it's more than a half mile less than a mile...hallo a bad evening...grand morning...my mother never let anyone pass her door without feeding them...good day t'you:" true, faint echo of Pegeen Mike.

*

Roger Ackling, who is now showing at Annely Juda Fine Art (11 Tottenham Mews W1: until March 3) is another artist who draws both his subject and his material from his passage through the world, though his territory has always been more close and intimate. All these new pieces are made from scraps of driftwood picked up on the beach near his home in Norfolk, and worked in Ackling's peculiar way, with a magnifying or burning glass.

He simply scorches lines into the wood in a regular sequence, responding to whatever the material offers or suggests. It is an obsessive,simple process and as ancient as the discovery that a glass could concentrate the light and heat of the sun. It could be as mindlessly therapeutic as knitting, yet Ackling brings to it a contemplative intensity and sincerity that are entirely convincing. His works take on the quality of some fetish or relic of who knows what ancient cult, an atavistic talisman of real but nameless potency, worn and smooth by long use and reverence. These small, sometimes tiny things could as well have come from the South Seas or Peru as from a quiet Norfolk studio. They are absurdly beautiful.

SPORT

Auckland's bitter-sweet fiesta

SEBASTIAN COE'S withdrawal from the 1,500 metres at the Commonwealth Games may have been tinged with anti-climax. But that is nothing to the after effects that may be visited on the good citizens of New Zealand. A superlative athlete, Coe has been skilful in recent years in moving adroitly between the disparate worlds of sport, finance and politics. The Games organisers must wish they possessed equivalent skills.

Despite this being the Commonwealth's biggest-ever sporting fiesta, with more than 50 nations and 2,500 competitors, it has been a long way from total success. Financially, the New Zealand taxpayer is looking at an £8m deficit. Thousands of seats have been empty at the major stadiums and it is hard to avoid the impression that the biggest bonus has been for NZ's television and radio networks, which have received hundreds of hours of cheap broadcasting.

This might sound as if it missed the point – which is, surely, to have staged a festival of first-rate sport – if it were not for the promise many months ago that the Auckland Games would emulate the Los Angeles Olympics and be self-financing. Rate-payers were even offered a profit.

Speaking in London last year, Commonwealth Games' chairman David Johnson promised "an entirely new formula for funding which is capable of revolutionising the Games in the future." Officials boasted that they had created a "circular path" between sponsors and broadcasters. Three hundred million viewers around the world were the bait to lure mega-dollar sponsors.

"We set out from the start to make these games commercial: paid for in the main by national and multi-national sponsors, TV sales and gate receipts. Auckland is to the Commonwealth Games what Los Angeles was to the Olympic movement," enthused Johnson.

It hasn't happened.

Despite the high athletic standards, the plethora of world records broken by the Australian swimmers in their blitzkrieg on the pool, the continued dominance of the Kenyan runners and the low-rent drama of the drug-taking Welsh weightlifters, the Commonwealth Games remain a small family party. The Olympics they ain't.

Only three mega sports events can hope to recover their costs. The Commonwealth Games are not among them.

Keith Wheatley reports

None of this would matter too much if it were not for the rash of middle-sized international events coming up that look like following the Auckland, rather than the Los Angeles, model. In Sheffield, a worried city council is up to its neck in expensive preparations for the 1991 World Student Games. Amid resignations and recriminations, there is not a major sponsor in sight.

In Perth, Western Australia, the state government is becoming resigned to picking up the multi-million dollar tab for the world swimming championships in a year's time. Business doesn't want to know. Nevertheless, lobbyists and wheeler-dealers from the former home of yachting's America's Cup were thick on the ground in Auckland trying to pick up the 1998 Commonwealth Games for their city.

"In my view, the battling off the field will be as intensely competitive as some of the events concentrated on the track," said the WA minister for sport. Delegates from New Delhi and Kuala Lumpur were also in town bidding for 1998. When you stirred in Olympic-bid lobbyists from Manchester, Athens and Atlanta – all in town trying to wine and dine the 13 International Olympic Committee members visiting Auckland – the lobby of the Hyatt hotel began to resemble nothing less than an Arab souk.

International events are the commodity; sponsorship, TV rights and new sports facilities the currency for purchase. What no-one was willing to discuss was the necessary input from tax- and rate-payers who must meet the seemingly inevitable deficits.

"There are probably only three international events attractive enough to earn back their total budget – operating costs, not capital," cautioned Mark Jeffrey, a leading UK sponsorship consultant. "They are the Olympics, the soccer World Cup and the America's Cup. Everything else, however worthwhile, needs government help."

Of the bidders and hustlers tugging coat sleeves and making dinner dates at the Auckland Hyatt, however, most were sports administrators and enthusiasts with no government blank cheque in their blazer pockets. Not one of them seemed worried that, despite the year-long efforts of the esteemed Pascoe Nally International, the present Commonwealth Games lacked an underwriting sponsor.

Dame Cath Tizard, the popular mayor of Auckland, has spent the past week digging herself out of a major hole. She personally guaranteed her voters a "no-cost" Games and then found that the New Zealand Government didn't want to know about handing over money. A proposed surcharge of two cents a gallon on petrol found no favour in Christchurch or Wellington, centres remote from the action.

"New Zealand and our city are getting exposure world-wide in a way we couldn't have bought for $80m," enthused Dame Cath. Few citizens seem to agree with her, especially when faced with an average bill of NZ$18 a head. "If this is a national bonus," argued the Aucklanders, "let the nation as a whole pay for it."

"Hang on," shouted back the 2m New Zealanders who don't live anywhere near the City of Sails. "Auckland went out and bid for the Games without asking us. We're having to watch it on TV just like the folks in Nairobi." Even the self-congratulation for the superb son-et-lumiere opening ceremony faltered when people realised that it had cost an un-sponsored $5m for just 120 minutes of spectacle.

According to Jeffrey, these "second-tier" events such as the Commonwealth and World Student Games have huge costs – security, for example – that no company is interested in sponsoring. Their only hope of viability is to ask regional and central governments for contributions on the grounds of prestige and promotional value: difficult in the era of "self-help" and Mrs Thatcher.

However, according to Bob Scott, who chairs the committee bidding to take the 1996 Olympics to Manchester: "You can get a stadium built using public money. What you cannot do is go to Mrs T and say: 'Give us £40m for our new sports facility.'

"Asking any government to throw all its policies out of the window is hopeless. You need to be cunning and fit your requirements into the existing framework. There are buckets of public money floating about, in the form of everything from regional development to the Channel tunnel."

He was in Auckland unashamedly lobbying IOC members and other pedlars of influence to vote for Manchester at the September ballot which will choose the venue for the 1996 Olympics. Scott, who runs two theatres in the city, advised Manchester not to bid for the student games on the ground that it was an event which could never be made even to look self-financing.

"The Olympics can generate revenue and sponsorship to cover all of its operating costs and make a profit," said Scott, adding the proviso that capital provision must be stripped out and accounted for on a different basis. "If you apply Montreal principles (looking to recoup capital costs), then Seoul was a financial catastrophe," he says.

What is clear in the wake of Auckland is that probably only three mega-events can exist without public subsidy. Countries that "bid" for the multitude of other events will need to look hard in advance at where the bills are going to land.

The all English winners of the 200m final show off their medals. From left: John Regis (silver) Marcus Adam (gold) and Ade Mafe (bronze)

A shot across the bows of Whitbread fleet

Keith Wheatley on the threat to Auckland's future as a Round the World yacht race stopover

SPONSORSHIP has also been a big theme among the yachts competing in the Whitbread Round the World Race, due to leave Auckland tomorrow on the leg which will take them round Cape Horn. Tobacco is the root of *their* problem.

New Zealand's Government is considering legislation which would make all cigarette advertising and promotion illegal. For yachts like Rothmans, Merit, Belmont and Fortuna such a law would be a disaster. Auckland, a sailing-mad city popular with the crews, would possibly cease to be a stop-over in future races.

"It costs what it costs," is the approach adopted by Rothmans. Its total expenditure over the nine months of the race will probably exceed £6m. The end-product is a superbly prepared boat, equipped to be raced flat out to the ends of the earth in any conditions.

Anyone who doubts the daredevil nature of skipper Lawrie Smith and his crew should have seen them throwing themselves off the jib of a 150 ft crane for a spot of "bungy-jumping." An Auckland company has brought ordinary people the chance to pay $25 to fly like birds before bouncing on the end of the elastic rope tied to their ankle.

Knowing that round-the-world yachtsmen tend to be keen on a spot of risk, the bungy company positioned the crane above a harbour basin next to the Whitbread dock. Within hours it had attracted queues of the world's finest sailors.

"It's an incredible adrenalin rush," said Gatorade crewman Andrea Proto. "When I first dived off and there was nothing between me and the water but 175 ft of air, I just couldn't believe what I was doing there."

It says volumes about the different style of these competitors that while Lawrie Smith was chafing at the chores that limited him to two jumps a day, Peter Blake, skipper of the leading yacht Steinlager, told his crew that bungy-jumping was a sacking offence.

With the race half-run, Blake's crew have a combined elapsed time of 65 days 19 hours 54 minutes, and have won each of the three legs. If the superbly skilled Steinlager crew are running a risk it is complacency. They are beginning to believe that the winner's trophy is reserved for them.

Right behind Steinlager are bunched Merit, Rothmans and Fisher & Peykel. Barring accidents and freak results, the winner of the Whitbread will come from among this group of four.

This 6,255-mile fourth leg will be another Southern Ocean spectacular. A direct route from Auckland to Punta del Este runs along the 60S line of latitude – well into iceberg country. However, safety and the need to keep on the northern side of the east-moving depressions will keep most yachts in the safer country above 50S.

Until the sailors sight the awful black ridge of Cape Horn off to port, most of the racing will be foot-on-the-floor stuff. Lightweight fliers like Fortuna – acknowledged to be the fastest yacht in the 23-boat fleet – and Charles Jourdan may reach the Horn first.

However, the 1,200-mile trip up the east coast of South America could be among the most tactical sailing of the entire race. Here the cunning of Blake, Smith and particularly Pierre Fehlmann – skipper of Merit – should come to the fore.

First round the Horn is by no means a guarantee of first into Punte. And for the mid-placed boats such as Fortuna, Fazisi and The Card, there will be a strong temptation to go off looking for a private breeze which will either put them back in the hunt for honours or consign them to the rear of the fleet with the old and the lame.

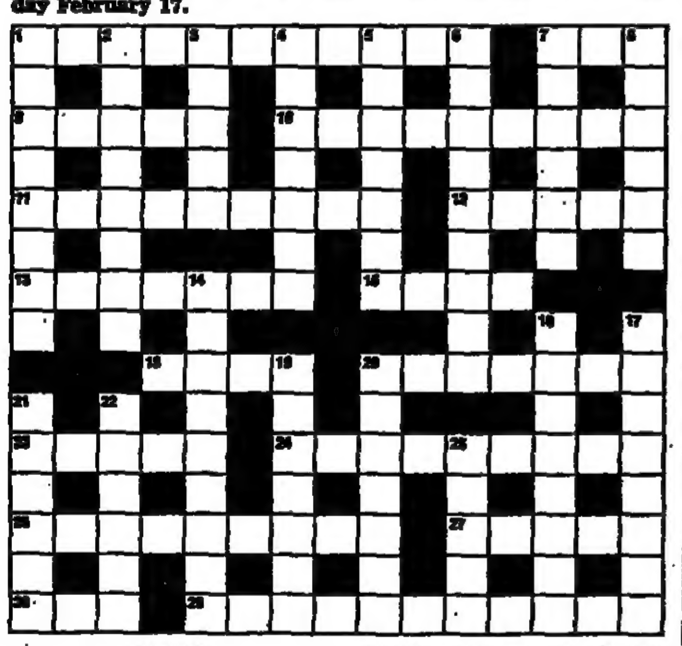
Among the smaller yachts, Tracy Edwards leaves Auckland as a major celebrity. The Kiwis took the diminutive skipper of the all-woman Maiden to their hearts and there was scarcely a function or a fete that she wasn't invited to open or attend.

The zenith of her fame came when Miss Edwards was invited to be one of ten stars to run the Queen's baton into the Mt Smart stadium for the opening ceremony of the Commonwealth Games. "It's been great but I can't wait to get back to sea," said the natural heiress to what one might term Clare Francis's mantle.

CROSSWORD

No. 7,155 Set by HIGHLANDER

Prizes of £10 each for the first five correct solutions opened. Solutions to be received by Wednesday February 14, marked Crossword 7,155 on the envelope, to the Financial Times, Number One Southwark Bridge, London SE1 9HL. Solution on Saturday February 17.



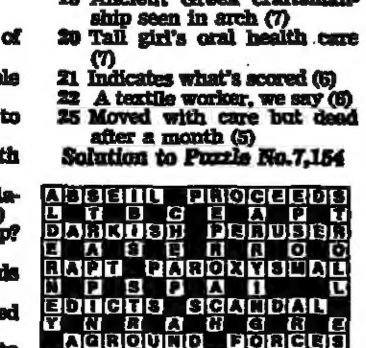
ACROSS

1 Although old inside, properly financed and soundly based (4-7)
7 Stop up the crack (3)
9 Move behind track, out of sight (5)
10 Same variation for audible signal (9)
11 Endured being exposed to the elements (9)
12 Stimulant associated with Geneva (5)
13 An opening for gold and diamonds provided within (7)
15 If acid, it's sweet. Give up? (4)
18 Contain venom, like heads of poisonous snakes (4)
20 She was his creation wasted (7)
23 Last character in Athens to return a diamond ring (5)
24 He's responsible for increase to the French and German teacher (9)
26 Book one: vet let loose (9)
27 May perhaps keep quiet with massage (5)
28 This title is about right (3)
29 Formal social occasion can end with diner hopping about (6,5)

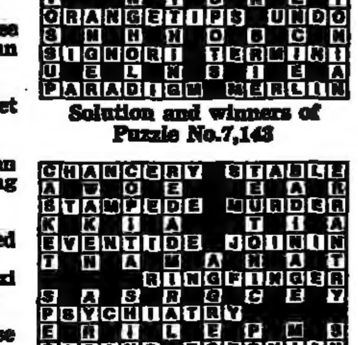
DOWN

1 Pottery club hasn't finished above another club (8)
2 Record time taken by taxi home (a wooden hut) (3,5)
3 Head's trivial ideas (5)
4 Increases push for rapid rise (7)
5 Old-fashioned but stylish once in action (7)
6 Douse hot strip of leather for printer's ligature (9)
7 Land in sports stadium (6)
8 Country in EEC must agree certain conditions (6)
14 Settled at home and stopped running (9)
16 It's hard to study inside a prison (4-4)
17 Charming resort abroad; then the Spanish turned up (8)
19 Ancient Greek craftsmanship seen in arch (7)
20 Tall girl's oral health care (7)
21 Indicates what's scored (6)
22 A textile worker, we say (6)
25 Moved with care but dead after a month (5)

Solution to Puzzle No.7,154



Solution and winners of Puzzle No.7,143



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TELEVISION AND RADIO

SATURDAY

BBC1

BBC2

LONDON

CHANNEL 4

S4C WALES

ANGLIA

BORDER

CENTRAL

CHANNEL

GRAMPIAN

HTV

HTV WALES

SCOTTISH

TSW

TVS

TYNE TEES

ULSTER

YORKSHIRE

RADIO

RADIO 2

RADIO 3

RADIO 4

SUNDAY

BBC1

BBC2

LONDON

CHANNEL 4

S4C WALES

ANGLIA

BORDER

CENTRAL

David Suchet as Hercule Poirot, ITV, 9.05pm

CHANNEL

GRAMPIAN

HTV

SCOTTISH

TSW

TVS

TYNE TEES

ULSTER

YORKSHIRE

RADIO

RADIO 2

RADIO 4

RADIO 3